



CITY OF
FOLSOM
DISTINCTIVE BY NATURE

Agenda

City Council Regular and Joint Meeting

City Council Chambers | 50 Natoma Street, Folsom CA 95630

April 12, 2022

6:30 PM

Welcome to Your City Council Meeting

We welcome your interest and involvement in the city’s legislative process. This agenda includes information about topics coming before the City Council and the action recommended by city staff. You can read about each topic in the staff reports, which are available on the city website and in the Office of the City Clerk. The City Clerk is also available to answer any questions you have about City Council meeting procedures.

Participation

If you would like to provide comments to the City Council, please:




- Fill out a blue speaker request form, located at the back table.
- Submit the form to the City Clerk before the item begins.
- When it’s your turn, the City Clerk will call your name and invite you to the podium.
- Speakers have three minutes, unless the presiding officer (usually the mayor) changes that time.

Reasonable Accommodations

In compliance with the Americans with Disabilities Act, if you are a person with a disability and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk’s Office at (916) 461-6035, (916) 355-7328 (fax) or CityClerkDept@folsom.ca.us. Requests must be made as early as possible and at least two full business days before the start of the meeting.

How to Watch

The City of Folsom provides three ways to watch a City Council meeting:

In Person	Online	On TV
		
City Council meetings take place at City Hall, 50 Natoma Street	Watch the livestream and replay past meetings on the city website, www.folsom.ca.us	Watch live and replays of meetings on Sac Metro Cable TV, Channel 14

More information about City Council meetings is available at the end of this agenda



City Council Regular and Joint Meeting

Folsom City Council Chambers
50 Natoma Street, Folsom, CA
www.folsom.ca.us

Tuesday, April 12, 2022 6:30 PM

Kerri Howell, Mayor

Rosario Rodriguez, Vice Mayor
YK Chalamcherla, Councilmember

Sarah Aquino, Councilmember
Mike Kozlowski, Councilmember

REGULAR CITY COUNCIL AGENDA

Members of the public wishing to participate in this meeting via teleconference may participate either online or by telephone via WebEx.

Meeting Number: 2558 067 1376

Meeting Password: 04 12 2022

Join the meeting by WebEx online:

<https://cityoffolsom.my.webex.com/cityoffolsom.my/j.php?MTID=m271616889508f61dfe71ca5236e31755>

To make a public comment using the WebEx online platform, please use the “raise hand” feature at the bottom center of the screen. Please make sure to enable audio controls once access has been given by the City Clerk to speak. Please wait to be called upon by the City Clerk.

Join the meeting by WebEx telephone: Dial 1-415-655-0001

*To make a public comment by phone, please press *3 to raise your hand. Please make sure to enable audio controls by pressing *6 once access has been given by the City Clerk to speak. Please wait to be called upon by the City Clerk.*

Verbal comments via virtual meeting must adhere to the principles of the three-minute speaking time permitted for public comment at City Council meetings.

CALL TO ORDER

ROLL CALL:

Councilmembers: Kozlowski, Rodriguez, Aquino, Chalamcherla, Howell

The City Council has adopted a policy that no new item will begin after 10:30 p.m. Therefore, if you are here for an item that has not been heard by 10:30 p.m., you may leave, as the item will be continued to a future Council Meeting.

PLEDGE OF ALLEGIANCE

AGENDA UPDATE

BUSINESS FROM THE FLOOR:

Members of the public are entitled to address the City Council concerning any item within the Folsom City Council's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the City Council is prohibited from discussing or taking action on any item not appearing on the posted agenda.

SCHEDULED PRESENTATIONS:

1. Proclamation of the Mayor of the City of Folsom Encouraging the Community to Become Involved in Arbor Day
2. Presentation on the Draft Active Transportation Plan (ATP) and Public Comment

CONSENT CALENDAR:

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. City Councilmembers may pull an item for discussion.

3. Approval of March 8, 2022 Special Meeting Workshop Minutes
4. Approval of March 8, 2022 Special/Regular Meeting Minutes
5. Approval of March 22, 2022 Special/Regular Meeting Minutes
6. Resolution No. 10828 - A Resolution Authorizing the City Manager to Execute an Agreement for Food and Beverage Concession at Lembi Community Park with the Folsom Athletic Association
7. Resolution No. 10829 – A Resolution Authorizing the City Manager to Execute Amendment No. 2 to the Agreement (Contract No.172-21 18-009) Between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for Shelter Services
8. Resolution No. 10832 - A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study and Appropriation of Funds
9. Resolution No. 10833 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Reduced Tipping Fees for Municipal Solid Waste at Kiefer Landfill
10. Resolution No. 10834 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Household Hazardous Waste Collection Program Services Provided to Folsom Residents at Sacramento County Owned Facilities
11. Resolution No. 10836 – A Resolution Amending Resolution No. 10479 to Update the Building Valuation Data and Clarify its Use
12. Resolution No. 10837 - A Resolution Authorizing the City Manager to Execute an Agreement with Brightview Holdings DBA Brightview Tree Care Services for Shaded Fuel Break Creation and Ladder Fuel Removal

CONVENE JOINT MEETING

JOINT CITY COUNCIL AGENDA

JOINT CITY COUNCIL / FOLSOM RANCH FINANCING AUTHORITY MEETING

ROLL CALL: Council / Board Members: Kozlowski, Rodriguez, Aquino, Chalamcherla, Howell

PUBLIC HEARING:

13. Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No.1 Special Tax Revenue Bonds, Series 2022

a. Resolution No. 10835 – A Resolution of the City Council of the City of Folsom Authorizing the Issuance of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022, the Execution of a First Supplemental Indenture Providing therefor, Authorizing the Execution of a Local Obligation Purchase Contract, and Authorizing Necessary Actions and the Execution of other Documents in Connection therewith

b. Resolution No. 008-Folsom Ranch FA – A Resolution of the Governing Board of the Folsom Ranch Financing Authority Authorizing the Issuance, Sale and Delivery of not to exceed \$17,000,000 Aggregate Principal Amount of City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022; Approving the Form and Substance of a Trust Agreement, Authorizing Modifications thereof and Execution and Delivery as Modified; Approving a Preliminary Official Statement, Authorizing Changes thereto and Execution and Delivery thereof and of an Official Statement to be Derived therefrom; Approving a Local Obligation Purchase Contract and a Bond Purchase Contract and Execution and Delivery of each; and Authorizing Related Actions Necessary to Implement the Proposed Financing

ADJOURNMENT

RECONVENE CITY COUNCIL MEETING

OLD BUSINESS:

14. Resolution No. 10838 - A Resolution Authorizing the City Manager to Execute an Updated Fiber Network Installation Agreement with SiFi Networks Folsom LLC for the Installation of a Fiber Optic Network in the City of Folsom

15. Consideration of Expenditure of Funds from the American Rescue Plan Act and Direction to Staff

16. Resolution No. 10831 - A Resolution of the City Council of the City of Folsom Approving an Affordable Housing Grant in the Amount of \$588,265.55 to Bidwell Place, LP for Construction of the 75-unit Bidwell Place Affordable Multifamily Project, and Appropriation of Funds

NEW BUSINESS:

17. Consideration of Letter in Response to Demand Letter Received from Scott Rafferty Regarding Alleged Non-Compliance with the Brown Act

CITY MANAGER REPORTS:

COUNCIL COMMENTS:

ADJOURNMENT

NOTICE: *Members of the public are entitled to directly address the City Council concerning any item that is described in the notice of this meeting, before or during consideration of that item. If you wish to address Council on an issue, which is on this agenda, please complete a blue speaker request card, and deliver it to a staff member at the table on the left side of the Council Chambers prior to discussion of the item. When your name is called, stand to be recognized by the Mayor and then proceed to the podium. If you wish to address the City Council on any other item of interest to the public, when the Mayor asks if there is any "Business from the Floor," follow the same procedure described above. Please limit your comments to three minutes or less.*

NOTICE REGARDING CHALLENGES TO DECISIONS: *Pursuant to all applicable laws and regulations, including without limitation, California Government Code Section 65009 and or California Public Resources Code Section 21177, if you wish to challenge in court any of the above decisions (regarding planning, zoning and/or environmental decisions), you may be limited to raising only those issues you or someone else raised at the public hearing(s) described in this notice/agenda, or in written correspondence delivered to the City at, or prior to, the public hearing.*

As presiding officer, the Mayor has the authority to preserve order at all City Council meetings, to remove or cause the removal of any person from any such meeting for disorderly conduct, or for making personal, impertinent, or slanderous remarks, using profanity, or becoming boisterous, threatening or personally abusive while addressing said Council, and to enforce the rules of the Council.

PERSONS INTERESTED IN PROPOSING AN ITEM FOR THE CITY COUNCIL AGENDA SHOULD CONTACT A MEMBER OF THE CITY COUNCIL.

The meeting of the Folsom City Council is being telecast on Metro Cable TV, Channel 14, the Government Affairs Channel, and will be shown in its entirety on the Friday and Saturday following the meeting, both at 9 a.m. The City does not control scheduling of this telecast and persons interested in watching the televised meeting should confirm this schedule with Metro Cable TV, Channel 14. The City of Folsom provides live and archived webcasts of regular City Council meetings. The webcasts can be found on the online services page of the City's website www.folsom.ca.us.

In compliance with the Americans with Disabilities Act, if you are a person with a disability and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (916) 461-6035, (916) 355-7328 (fax) or CityClerkDept@folsom.ca.us. Requests must be made as early as possible and at least two full business days before the start of the meeting.

Any documents produced by the City and distributed to the City Council regarding any item on this agenda will be made available at the City Clerk's Counter at City Hall located at 50 Natoma Street, Folsom, California and at the Folsom Public Library located at 411 Stafford Street, Folsom, California during normal business hours.

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**PROCLAMATION
OF THE MAYOR OF THE CITY OF FOLSOM**

**ENCOURAGING THE COMMUNITY TO BECOME INVOLVED
in
ARBOR DAY**

WHEREAS, in 1872, J. Sterling Morton proposed that a special day be set aside for the planting of trees; and

WHEREAS, in 1907, President Theodore Roosevelt proclaimed this as a national time to plant trees; and

WHEREAS, Arbor Day is now observed throughout the nation and the world and will be celebrated in Folsom on Saturday, April 23, 2022; and

WHEREAS, trees can reduce the erosion of our precious topsoil by wind and water, cut heating and cooling costs, moderate the temperature city wide, catch rainwater, clean the air, produce life-giving oxygen, provide habitat for wildlife, and protect us from the harmful effects of the sun on our skin; and

WHEREAS, trees are a renewable resource, giving us paper, wood for our homes and furniture, and sequestering air and soil-borne carbon; and

WHEREAS, trees in our city increase property values, enhance the economic vitality of business areas, and beautify our community; and

WHEREAS, trees, wherever they are planted, are a source of joy and spiritual renewal; and

WHEREAS, we will be engaging in tree care and maintenance activities of young trees along Folsom trails in celebration of Arbor Day.

NOW, THEREFORE, I, Kerri Howell, Mayor of the City of Folsom, do hereby proclaim April 23rd, 2022 as Arbor Day in the City of Folsom, and urge all citizens to celebrate Arbor Day by supporting efforts to protect our trees and woodlands, planting a tree of their own or joining in our City Arbor Day event and;

FURTHER, I urge all citizens to enjoy the cool shade of trees and promote the well-being of this and future generations as Folsom becomes a Tree City USA for the sixteenth year in a row.

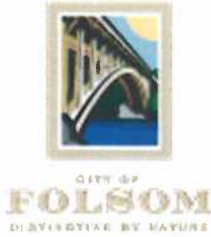
PROCLAIMED this 12th day of April 2022.

Attest:

Kerri M. Howell, MAYOR

Christa Freemantle, CITY CLERK

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Scheduled Presentations
SUBJECT:	Presentation on the Draft Active Transportation Plan (ATP) and Public Comment
FROM:	Parks and Recreation Department

BACKGROUND / ISSUE

Parks and Recreation Department and Alta Planning + Design will present an overview of the City of Folsom's Draft ATP and will receive public comment.

Submitted,

Lorraine Poggione, Parks and Recreation Director

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City Council Special Meeting Workshop

MINUTES

Tuesday, March 8, 2022 1:00 PM

CALL TO ORDER

The special City Council meeting was called to order at 1:01 p.m. with Mayor Kerri Howell presiding.

PLEDGE OF ALLEGIANCE

The pledge of allegiance was recited.

AGENDA UPDATE

ROLL CALL:

Councilmembers Present: Sarah Aquino, Councilmember
Rosario Rodriguez, Vice Mayor
Kerri Howell, Mayor

Councilmembers Absent: YK Chalamcherla, Councilmember (arrived at 1:04 pm)
Mike Kozlowski, Councilmember

Participating Staff: City Manager Elaine Andersen
City Attorney Steve Wang
City Clerk Christa Freemantle
Finance Director/CFO Stacey Tamagni
Human Resources Manager Allison Garcia
Fire Chief Ken Cusano
Police Chief Rick Hillman
Communications Director Christine Brainerd

WORKSHOP:

1. Council Workshop on Developing a Strategy to Close the City's Future Funding Gap/Introduction to Strategic Planning and Direction to Staff

City Manager Elaine Andersen introduced the item and summarized what would take place at this meeting.

Finance Director/Chief Financial Officer Stacey Tamagni made a presentation and introduced consultant Tom Adams who responded to questions from the City Council.

Human Resources Manager Allison Garcia provided a summary of employee compensation in response to City Council comments at previous meetings. She responded to questions from the City Council with clarification provided by City Manager Elaine Andersen.

Fire Chief Ken Cusano made a presentation regarding Fire Department use of overtime and fire response times. He responded to questions from the City Council.

Police Chief Rick Hillman made a presentation regarding Police Department use of overtime and police response times. He responded to questions from the City Council.

City Manager Elaine Andersen made a presentation regarding strategic planning and led the City Council through strategic planning exercises.

Ms. Andersen thanked the City Council for their thoughtful participation in the strategic planning exercises, and advised Council Members that she would oversee a community engagement effort to also solicit feedback from the community as to their vision for Folsom's future. She further advised that she would then return to the City Council with a draft strategic policy agenda for the Council's consideration.

ADJOURNMENT

The meeting was adjourned at 3:58 p.m.

SUBMITTED BY:

Christa Freemantle, City Clerk

ATTEST:

Kerri Howell, Mayor

City Council Special Meeting

MINUTES

Tuesday, March 8, 2022 5:30 PM

CALL TO ORDER

The special City Council meeting was called to order at 5:30 p.m. with Mayor Kerri Howell presiding.

ROLL CALL:

Councilmembers Present: Sarah Aquino, Councilmember
YK Chalamcherla, Councilmember
Mike Kozlowski, Councilmember
Rosario Rodriguez, Vice Mayor
Kerri Howell, Mayor

Councilmembers Absent: None

Participating Staff: City Manager Elaine Andersen
City Attorney Steve Wang
City Clerk Christa Freemantle

ADJOURNMENT TO CLOSED SESSION FOR THE FOLLOWING PURPOSES:

1. Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): Allegation of Brown Act violation by Scott Rafferty
2. Conference with Legal Counsel - Existing Litigation - Pursuant to Government Code section 54956.9(d)(1): The Heritage Preservation League of Folsom v. City of Folsom, Sacramento County Superior Court Case No. 34-2022-80003820
3. Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): One potential case

Speaker Scott Rafferty addressed the City Council regarding closed session items.

Motion by Councilmember Mike Kozlowski, second by Councilmember Sarah Aquino to adjourn to Closed Session for the above referenced items. Motion carried with the following roll call vote:

AYES: Councilmember(s): Chalamcherla, Kozlowski Rodriguez, Aquino, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

RECONVENE

City Attorney Steve Wang announced that no final action was taken during Closed Session.

ADJOURNMENT

The meeting was adjourned to the regular City Council meeting at 6:30 p.m.

SUBMITTED BY:

Christa Freemantle, City Clerk

ATTEST:

Kerri Howell, Mayor

City Council Regular Meeting

MINUTES

Tuesday, March 8, 2022 6:30 PM

CALL TO ORDER

The regular City Council meeting was called to order at 6:31 pm with Mayor Kerri Howell presiding.

ROLL CALL:

Councilmembers Present: Sarah Aquino, Councilmember
YK Chalamcherla, Councilmember
Mike Kozlowski, Councilmember
Rosario Rodriguez, Vice Mayor
Kerri Howell, Mayor

Councilmembers Absent: None

Participating Staff: City Manager Elaine Andersen
City Attorney Steve Wang
City Clerk Christa Freemantle
Principal Planner Desmond Parrington
Community Development Director Pam Johns
Police Chief Rick Hillman
Police Detective Sergeant Lou Wright

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

AGENDA UPDATE

City Clerk Christa Freemantle announced that items 10 and 11 had revised and additional information.

BUSINESS FROM THE FLOOR:

The following speakers addressed the City Council:

1. Michael Harris regarding Juneteenth
2. Sarah Norberg regarding Juneteenth
3. Margie Donovan regarding online accessibility (via WebEx teleconference)
4. Hubbert Booze regarding the permitting process

SCHEDULED PRESENTATIONS:

1. Proclamation of the Mayor of the City of Folsom Proclaiming the Month of March 2022 as American Red Cross Month in the City of Folsom

Mayor Kerri Howell presented the proclamation to Chair of the Board and American Red Cross Gold Country Region, Eileen Reynolds and the Chief Executive Officer, American Red Cross Gold Country Region Gary Strong.

CONSENT CALENDAR:

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. City Councilmembers may pull an item for discussion.

2. Approval of February 15, 2022 Special Meeting Minutes
3. **pulled for comment**
4. Resolution No. 10813 - A Resolution Authorizing the City Manager to Execute Amendment No. 2 to the Agreement (Contract No. 173-21 14-092) with Water Works Engineers, LLC for Fixed Network and Water Consumption Database As-Needed Support
5. Resolution No. 10814 – A Resolution Authorizing the City Manager to Execute a Construction Agreement with Gabe Mendez, Inc. for the Scott Road Realignment Project, Project No. PW2201
6. Resolution No. 10815 – A Resolution Authorizing the City Manager to Execute an Engineering Consultant Agreement with Salaber Associates, Inc. for the Scott Road Realignment Project, Project No. PW2201
7. Resolution No. 10816 - A Resolution Authorizing the City Manager to Execute a Contract Change Order for the Pedestrian/Bike Bridge with Goodfellow Brothers, LLC (Contract No. 174-21 20-060) for the Capital SouthEast Connector Segment D3(A), Project No. PW1607, Federal Project No. 5288(046)
8. Resolution No. 10817 - A Resolution Authorizing the City Manager to Execute a Contract Change Order for the Oil Index Increase with Goodfellow Brothers, LLC (Contract No. 174-21 20-060) for the Capital Southeast Connector Segment D3(A), Project No. PW1607, Federal Project No. 5288(046)
9. Resolution No. 10818 – A Resolution of the City of Folsom Opposing California Statewide Initiative No. 21-0042A1 Related to Tax Measures

Motion by Vice Mayor Rosario Rodriguez, second by Councilmember YK Chalamcherla to approve Consent Calendar items 2 and 4 - 9.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Aquino, Chalamcherla, Kozlowski, Rodriguez, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

CONSENT CALENDAR ITEM PULLED FOR COMMENT:

- 3. Resolution No. 10804 – A Resolution Establishing a Landmark Tree Designation for an Interior Live Oak Tree on the California Independent System Operator Corporation Property, Immediately South of the Iron Point Road/Outcropping Way Intersection

Councilmember Sarah Aquino explained that she pulled this item to comment that she appreciated the map that was included in the staff report and requested that the City Manager bring additional nominations for landmark trees.

The following speaker addressed the City Council:

- 1. Bruce Cline

Motion by Councilmember Sarah Aquino, second by Councilmember Mike Kozlowski to approve Resolution No. 10804.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Aquino, Chalamcherla, Kozlowski, Rodriguez, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

PUBLIC HEARING:

- 10. Public Hearing No. 5 Under the California Voting Rights Act - Ordinance No. 1324 - An Ordinance of the City of Folsom Establishing a By-District Election Process in Five Council Districts Pursuant to California Elections Code Section 10010 and Adding New Sections to Chapter 2.06 of the Folsom Municipal Code to Provide for City Council Election Districts (Introduction and First Reading)

City Attorney Steve Wang made a presentation detailing the history and purpose of the By-District Election Process.

The public hearing was opened. The following speakers addressed the City Council:

- 1. Cheryl Davis

2. Muriel Brounstein (via WebEx teleconference)
3. Scott Rafferty (via WebEx teleconference)

There being no further comments, the public hearing was closed.

Motion by Councilmember Mike Kozlowski, second by Vice Mayor Rosario Rodriguez to introduce and hold the first reading of Ordinance No. 1324.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Aquino, Chalamcherla, Kozlowski, Rodriguez, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

11. Ordinance No. 1325 - An Ordinance Repealing and Re-Enacting Chapter 17.61 of the Folsom Municipal Code Pertaining to Home Occupations (Introduction and First Reading)

Principal Planner Desmond Parrington made a presentation and responded to questions from the City Council. Police Chief Rick Hillman and Detective Sergeant Lou Wright responded to questions from the City Council regarding firearms. Community Development Director Pam Johns provided clarification.

The public hearing was opened.

The following speakers addressed the City Council:

1. Jennifer Jacobs
2. William Sobotta
3. Rory Hanley
4. Heather Hanley
5. Khaled Aboutaleb
6. James Ensor
7. Peggy Blair
8. Leah Schering
9. Jaime Baker
10. Sherri Berry
11. Gail Back
12. Cheryl Davis
13. Rosemary Yoshikawa
14. William Davis (comments read by Cheryl Davis)
15. Tressa Cooper
16. Cassandra Whetstone
17. Ruth Anderson
18. Donna McGury
19. Bruce Cline
20. Roger Smith (comments ready by Bruce Cline)
21. Loretta Hettinger
22. Mark Sabin

23. Tim McMahon
24. Leslie Lindgren
25. Jennifer Hageman
26. Cynthia Shallit
27. James O'Brien
28. Catherine O'Mordha
29. Lynn Bonzell
30. Danielle Sivalingam
31. John Wright
32. Elyse MacKenzie
33. Michael Reynolds
34. Snehal Shah
35. Bill Durstin (via WebEx teleconference)
36. Margie Donovan (via WebEx teleconference)

The public hearing was closed.

Mayor Kerri Howell allowed the following speaker to address the City Council:

37. Jaya Badiga (via WebEx teleconference)

The City Council discussed the item and asked questions for clarification. Principal Planner Desmond Parrington responded to questions from the City Council with additional clarification provided by City Attorney Steve Wang and Community Development Director Pam Johns.

Motion by Councilmember Sarah Aquino, second by Councilmember Mike Kozlowski to add ammunition manufacture and re-load to the prohibited list, and then to send the proposed ordinance to the Historic District Commission for their feedback.

The City Council discussed the motion for clarification.

Amended Motion by Councilmember Sarah Aquino, second by Councilmember Mike Kozlowski to take the revised staff report with two changes: add ammunition manufacture and re-load to the prohibited list, in section 17.61.055 titled Appeals, wherever it reads "Planning Commission," change the language to "Planning Commission or Historic District Commission" and send it to the Historic District Commission for feedback.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Aquino, Chalamcherla, Kozlowski, Rodriguez, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

NEW BUSINESS:

12. Consideration of Letter in Response to Demand Letter Received from Scott Rafferty Regarding Alleged Non-Compliance with the Brown Act

City Attorney Steve Wang introduced the item.

Motion by Councilmember Mike Kozlowski, second by Councilmember YK Chalamcherla to approve the proposed reply letter in response to the demand letter received from Scott Rafferty.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Aquino, Chalamcherla, Kozlowski, Rodriguez, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

CITY MANAGER REPORTS:

City Manager Elaine Andersen announced the launch of new software eTrakit for the Community Development Department. She spoke of the upcoming Friends of the Folsom Library bi-annual book sale and the completion of the Genetech project which allows the City to remotely monitor traffic signal enclosures.

CITY COUNCIL COMMENTS:

Vice Mayor Rosario Rodriguez shared her experience with the new commercial organic food waste recycling program. She commended City Manager Elaine Andersen and staff on the strategic planning budget session held earlier in the day. She commented about the recent SiFi project in Rancho Cordova and mentioned the upcoming Foothills Wine Festival.

Councilmember YK Chalamcherla congratulated Public Works Director Mark Rackovan and his staff for implementing new technologies. He asked City Manager Elaine Andersen for an update regarding fiber network systems in Folsom.

Councilmember Sarah Aquino spoke of the newly formed City Council subcommittee to inventory and evaluate city properties and said she would report back after they meet.

Councilmember Mike Kozlowski commented regarding a recent SACOG meeting and congratulated the Vista track team on their districtwide wins.

Mayor Kerri Howell encouraged everyone to drive safely and spoke of regional committee meetings.

ADJOURNMENT

There being no further business to come before the Folsom City Council, Mayor Kerri Howell adjourned the meeting at 9:53 pm in honor of those who have lost their lives in Ukraine.

SUBMITTED BY:

Christa Freemantle, City Clerk

ATTEST:

Kerri Howell, Mayor

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City Council Special Meeting

MINUTES

Tuesday, March 22, 2022 6:15 PM

CALL TO ORDER

The special City Council meeting was called to order at 6:15 p.m. with Mayor Kerri Howell presiding.

ROLL CALL:

Councilmembers Present: Sarah Aquino, Councilmember
YK Chalamcherla, Councilmember
Mike Kozlowski, Councilmember
Rosario Rodriguez, Vice Mayor
Kerri Howell, Mayor

Councilmembers Absent: None

Participating Staff: City Manager Elaine Andersen
City Attorney Steve Wang
City Clerk Christa Freemantle

ADJOURNMENT TO CLOSED SESSION FOR THE FOLLOWING PURPOSES:

1. Conference with Legal Counsel - Existing Litigation - Pursuant to Government Code section 54956.9(d)(1): Faun O'Neel, et al. v. City of Folsom, County of Sacramento, Department of Child, Family and Adult Services, et al., United States District Court for the Eastern District of California Case No. 2:21-CV-02403-WBS-DB

Motion by Councilmember Mike Kozlowski, second by Vice Mayor Rosario Rodriguez to adjourn to Closed Session for the above referenced item. Motion carried with the following roll call vote:

AYES: Councilmember(s): Chalamcherla, Kozlowski Rodriguez, Aquino, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

RECONVENE

City Attorney Steve Wang announced that no final action was taken during Closed Session.

ADJOURNMENT

The meeting was adjourned to the regular City Council meeting at 6:30 p.m.

SUBMITTED BY:

Christa Freemantle, City Clerk

ATTEST:

Kerri Howell, Mayor

City Council Regular Meeting

MINUTES

Tuesday, March 22, 2022 6:30 PM

CALL TO ORDER

The regular City Council meeting was called to order at 6:31 pm with Mayor Kerri Howell presiding.

ROLL CALL:

Councilmembers Present: Sarah Aquino, Councilmember
YK Chalamcherla, Councilmember
Mike Kozlowski, Councilmember
Rosario Rodriguez, Vice Mayor
Kerri Howell, Mayor

Councilmembers Absent: None

Participating Staff: City Manager Elaine Andersen
City Attorney Steve Wang
City Clerk Christa Freemantle
Police Chief Rick Hillman
Community Development Director Pam Johns

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

AGENDA UPDATE

City Attorney Steve Wang announced that item 4 had additional information.

BUSINESS FROM THE FLOOR:

The following speakers addressed the City Council:

1. Chandra Vinnakota regarding an invitation to the City Council for an upcoming event

2. Judi Alexander thanked the City of Folsom for funding of the Hart of Folsom transitional housing program

SCHEDULED PRESENTATIONS:

1. Proclamation of the Mayor of the City of Folsom Proclaiming April 10-16, 2022 as National Public Safety Telecommunicators Week in the City of Folsom

Mayor Kerri Howell presented the proclamation to 2021 Dispatcher of the Year Bryn Miller and Police Chief Rick Hillman.

2. Resolution of Commendation Honoring the Folsom High School Bulldogs Football Team for an Outstanding Season

Councilmember Mike Kozlowski presented the resolution to Director of Athletics and Physical Education Peter Maroon.

CONSENT CALENDAR:

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. City Councilmembers may pull an item for discussion.

3. Approval of February 22, 2022 Special/Regular Meeting Minutes
4. **Pulled for discussion**
5. Ordinance No. 1324 - An Ordinance of the City of Folsom Establishing a By-District Election Process in Five Council Districts Pursuant to California Elections Code Section 10010 and Adding New Sections to Chapter 2.06 of the Folsom Municipal Code to Provide for City Council Election Districts (Second Reading and Adoption)
6. Resolution No. 10819 - A Resolution Authorizing the City Manager to Execute Amendment No. 1 to the Agreement (Contract No.173-21 19-066) with Zenner USA, Inc. for Fixed Network Data Management, Maintenance, License and Purchasing Services and Appropriation of Funds
7. Resolution No. 10820 - A Resolution Authorizing the City Manager to Execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds
8. Resolution No. 10821 – A Resolution Authorizing the City Manager to Execute a Subdivision Improvement Agreement and Accept Offers of Dedication for the Mangini Ranch Phase 1C North Village No. 1 Subdivision, and Approval of the Final Map for the Mangini Ranch Phase 1C North Village No. 1 Subdivision
9. Resolution No. 10822 – A Resolution Authorizing the City Manager to Execute a Subdivision Improvement Agreement and Accept Offers of Dedication for the Mangini

Ranch Phase 1C North Village No. 2 Subdivision, and Approval of the Final Map for the Mangini Ranch Phase 1C North Village No. 2 Subdivision

10. Resolution No. 10823 – A Resolution Authorizing the City Manager to Execute a Subdivision Improvement Agreement and Accept Offers of Dedication for the Mangini Ranch Phase 1C North Village No. 3 Subdivision, and Approval of the Final Map for the Mangini Ranch Phase 1C North Village No. 3 Subdivision
11. Resolution No. 10824 - A Resolution Authorizing the City Manager to Execute a Subdivision Improvement Agreement and Accept Offers of Dedication for the Toll Brothers at Folsom Ranch Phase 1D Subdivision, and Approval of the Final Map for the Toll Brothers at Folsom Ranch Phase 1D Subdivision
12. Resolution No. 10825 - A Resolution Directing the Preparation of Engineer's Report for the Following Landscaping and Lighting Districts for Fiscal Year 2022-2023 American River Canyon North, American River Canyon North No. 2, American River Canyon North No. 3, Blue Ravine Oaks, Blue Ravine Oaks No. 2, Briggs Ranch, Broadstone, Broadstone No. 4, Broadstone Unit No. 3, Cobble Ridge, Cobble Hills Ridge II/Reflections II, Folsom Heights, Folsom Heights No. 2, Hannaford Cross, Lake Natoma Shores, Los Cerros, Natoma Station, Natoma Valley, Prairie Oaks Ranch, Prairie Oaks Ranch No. 2, Prospect Ridge, Sierra Estates, Silverbrook, Steeplechase, The Residences at American River Canyon, The Residences at American River Canyon II, Willow Creek Estates East, Willow Creek Estates East No. 2, Willow Creek Estates South, and Willow Springs
13. Resolution No. 10826 - A Resolution authorizing the City Manager to Execute an Agreement with Westnet, Inc. for Fire Station No. 37 First-In Fire Station Alerting System Upgrades
14. Resolution No. 10827 – A Resolution Authorizing the City Manager to Execute a Contract with First Serve Productions, Inc. for the Sports Courts Acrylic Resurfacing Project

Motion by Vice Mayor Rosario Rodriguez, second by Councilmember Mike Kozlowski to approve items 1-3 and 5-14 of Consent Calendar.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Chalamcherla, Kozlowski, Rodriguez, Aquino, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

CONSENT CALENDAR ITEM PULLED FOR COMMENT:

4. 2021 General Plan Annual Progress Report, Including the Housing Element Annual Progress Report

Councilmember Sarah Aquino commented regarding cultural resources inventory, noise concerns, wildfires, the Corporation Yard and the River District.

Motion by Councilmember Sarah Aquino, second by Vice Mayor Rosario Rodriguez to approve the Progress Report.

Motion carried with the following roll call vote:

AYES: Councilmember(s): Chalamcherla, Kozlowski, Rodriguez, Aquino, Howell
NOES: Councilmember(s): None
ABSENT: Councilmember(s): None
ABSTAIN: Councilmember(s): None

CONVENE JOINT MEETING

JOINT CITY COUNCIL AGENDA

JOINT CITY COUNCIL / FOLSOM REDEVELOPMENT SUCCESSOR AGENCY / FOLSOM PUBLIC FINANCING AUTHORITY / FOLSOM RANCH FINANCING AUTHORITY / SOUTH OF 50 PARKING AUTHORITY MEETING

ROLL CALL: Council / Board Members: Chalamcherla, Kozlowski, Rodriguez, Aquino, Howell

CONSENT CALENDAR:

- 15. Approval of the December 14, 2021 Joint City Council / Successor Agency / Public Financing Authority / Folsom South of 50 Parking Authority / Folsom Ranch Financing Authority Meeting Minutes
- 16. Receive and File the City of Folsom, the Folsom Redevelopment Successor Agency, the Folsom Public Financing Authority, the Folsom Ranch Financing Authority, and the South of 50 Parking Authority Monthly Investment Reports for the Month of December 2021

Motion by Councilmember Mike Kozlowski, second by Vice Mayor Rosario Rodriguez to approve the Consent Calendar.

Motion carried with the following roll call vote:

AYES: Council/Board Member(s): Chalamcherla, Kozlowski, Rodriguez, Aquino, Howell
NOES: Council/Board Member(s): None
ABSENT: Council/Board Member(s): None
ABSTAIN: Council/Board Member(s): None

ADJOURNMENT

There being no further business to come before the joint City Council / Redevelopment Successor Agency / Public Financing Authority / Folsom South of 50 Parking Authority / Folsom

Ranch Financing Authority, the meeting was adjourned to the regular City Council meeting at 6:52 pm.

CITY MANAGER REPORTS:

City Manager Elaine Andersen announced that the City is accepting public comments for the Draft Active Transportation Plan. She discussed the recently approved district map for by-district elections. She spoke about the upcoming registration for Fun Factory and Kindergarten Readiness programs and the League of California Cities membership luncheon hosted by Folsom. She concluded her comments announcing that the City has hired McGuire Research and Godbe Research to conduct surveys on Folsom issues.

CITY COUNCIL COMMENTS:

Councilmember Sarah Aquino asked that the meeting be adjourned in honor of Jesse Ballard.

Councilmember Mike Kozlowski discussed items at recent SACOG and Sacramento Transportation Authority meetings.

Councilmember YK Chalamcherla commented regarding meeting with the group Residents Against Illegal Fireworks. He spoke about the upcoming League of California Cities membership luncheon and the organic green waste program.

Vice Mayor Rosario Rodriguez commented regarding the Chamber of Commerce awards event, the upcoming Folsom Wine Festival, concerts series in the Historic District and the National Women’s History Month. She urged everyone to support local businesses.

Mayor Kerri Howell discussed the recent Regional Transit meeting and the SouthEast Connector project. She reminded everyone to drive safely and thanked the Police Department staff for recently apprehending suspects breaking into cars.

ADJOURNMENT

There being no further business to come before the Folsom City Council, Mayor Kerri Howell adjourned the meeting at 7:04 pm in honor of Jesse Ballard.

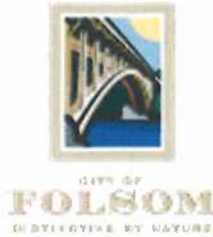
SUBMITTED BY:

Christa Freemantle, City Clerk

ATTEST:

Kerri Howell, Mayor

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10828 – A Resolution Authorizing the City Manager to Execute an Agreement for Food and Beverage Concession at Lembi Community Park with the Folsom Athletic Association
FROM:	Parks and Recreation Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends the City Council approve Resolution No. 10828 – A Resolution Authorizing the City Manager to Execute an Agreement for Food and Beverage Concession at Lembi Community Park with the Folsom Athletic Association.

BACKGROUND / ISSUE

The Folsom Athletic Association (FAA) is a 501(c)(3) corporation founded in 1979 to advocate for improved recreational programs and facilities for the residents of Folsom. Some of the City of Folsom’s first recreation programs were run by the FAA through a contract with the City, and the FAA and the City have worked together to create the region’s leading recreation programs and facilities. Today, the FAA serves as an umbrella organization to major youth sports organizations within Folsom, working to ensure the success and financial stability of each. The FAA also partners with the City to help support major youth-oriented programs and events such as Spring Eggstravaganza, and CAVE Teen Centers, as well as senior services and programs provided at 48 Natoma Street (Senior and Arts Facility).

Lembi Community Park is a 50-acre facility consisting of three softball fields, a baseball field, three full-sized soccer fields, tot lots, picnic areas, concession building and office space, and natural open space. Since 1993, as approved by the Folsom City Council, the FAA has contracted with the City to provide food and beverage concession services at Lembi Community Park.

On October 9, 2012, the City Council adopted Resolution No. 9064 authorizing the City Manager to execute an agreement with the FAA. As part of that agreement the FAA paid the City one dollar (\$1.00) per year for rent. This agreement is up for renewal, and the City would like to amend the agreement to extend the terms and conditions of the agreement for another five years to June 30, 2027.

POLICY / RULE

The City Council is authorized to approve agreements relating to real property including rental or lease of community facilities.

ANALYSIS

Staff believes that the agreement and its terms are beneficial to both the City and the FAA in terms of providing much needed financial and community support to youth sports, recreation, and city programs.

The proposed agreement calls for the FAA to protect the City's property from damage beyond normal wear and tear. The FAA shall be solely responsible for providing all services, equipment, supplies, and personnel for staffing, administration, and operation of the concession. The FAA shall also procure at its own costs all related licenses, permits, and insurance, and operate the concession in accordance with all applicable laws and regulations. The FAA will not sell or provide hard liquor.

Each operational year, the FAA and the City shall conduct an inspection of the facility and equipment to ensure all equipment is in working order and the facility is free from any safety hazards or defects.

It is understood that during the term of the agreement, the FAA shall have the exclusive right to operate a food and beverage concession on the Lembi Community Park premises, but that groups using park facilities may sell items of food and other merchandise as long as items are sold during non-operational hours of the FAA concession.

FINANCIAL IMPACT

It is agreed that the FAA will continue to pay the City one dollar (\$1.00) per year in rent for up to a five-year term for use of the Lembi Community Park food and beverage concession. The agreement also requires the City to furnish electric current, telephone service, and domestic service to the FAA in support of the concession site.

ENVIRONMENTAL REVIEW

This action is exempt from environmental review under the California Environmental Quality Act (CEQA).

ATTACHMENTS

1. Resolution No. 10828 – A Resolution Authorizing the City Manager to Execute an Agreement for Food and Beverage Concession at Lembi Community Park with the Folsom Athletic Association

Submitted,

Lorraine Poggione, Parks & Recreation Director

RESOLUTION NO. 10828

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT FOR FOOD AND BEVERAGE CONCESSION AT LEMBI COMMUNITY PARK WITH THE FOLSOM ATHLETIC ASSOCIATION

WHEREAS, the Folsom Athletic Association (FAA) is a 501(c)(3) corporation founded in 1979 to advocate for improved recreational programs and facilities for the residents of Folsom; and

WHEREAS, the FAA serves as an umbrella organization to major youth sports organizations within Folsom, working to ensure the success and financial stability of each; and

WHEREAS, the FAA and the City have worked together to create the region’s leading recreation programs and facilities, and the FAA partners with the City to help support youth-oriented programs and events; and

WHEREAS, since 1993, the FAA has contracted with the City to provide food and beverage concession services at the Lembi Community Park Sports Complex; and

WHEREAS, the FAA wishes to continue in this role for the purpose of not only providing snacks and beverages to program participants and attendees, but also to raise funds to support its youth recreation mission; and

WHEREAS, the City seeks to execute an agreement with the FAA for rental of the Lembi Community Park food and beverage concession for one dollar (\$1.00) per year for a five-year term ending June 30, 2027; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute an Agreement for Food and Beverage Concession at Lembi Community Park with the Folsom Athletic Association.

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll-call vote:

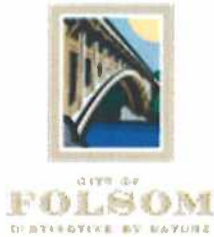
- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10829 – A Resolution Authorizing the City Manager to Execute Amendment No. 2 to the Agreement (Contract No.172-21 18-009) Between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for Shelter Services
FROM:	Police Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends the City Council move to adopt Resolution No. 10829 - A Resolution Authorizing the City Manager to Execute Amendment No. 2 to the Agreement (Contract No. 172-21 18-009) Between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for Shelter Services.

BACKGROUND / ISSUE

The Sacramento Society for the Prevention of Cruelty to Animals (SSPCA) has been providing animal sheltering services to the City of Folsom since July 1, 2015. Through Amendment No. 1 the original contract that expired on December 31, 2020, was extended through December 31, 2021, and has continued to be honored in 2022. Recently, the SSPCA requested that the contract extension be memorialized in writing. Proposed edits to the agreement by both parties are significant and negotiations are underway. In order to ensure that shelter services are provided while negotiations continue, staff seeks approval to authorize the City Manager to extend the terms of the agreement through June 30, 2022. Staff expects to bring a new contract for shelter services to Council before this extension expires.

POLICY / RULE

In accordance with Chapter 2.36 of the Folsom Municipal Code, professional services costing \$66,141 or greater shall be contracted for by the City Council.

ANALYSIS

The SSPCA is a non-profit organization dedicated to providing shelter for homeless, lost, or abused pets; low-cost spay and neuter services; and public education. The organization's mission is to "foster a loving and compassionate community for animals and people by providing assistance, creating lifelong relationships, and saving lives."

The city has successfully worked in partnership with the SSPCA for the city's animal sheltering needs since July 1, 2015, and desires to continue that contractual partnership while negotiations for a new contract continue.

Please note that the SSPCA contract is only for animal sheltering services. The city will continue to provide a full-time Animal Services Officer to serve the community. The Animal Services Officer will continue to enforce state and local laws and ordinances to protect both the animal and human customers, respond to animal issues in the field, and provide public education, among other duties.

FINANCIAL IMPACT

The contract amendment would extend the existing contract from January 1, 2022, through June 30, 2022. The city will continue to pay the rates defined in the 2018 contract. Since this is only a six (6) month extension, these rates should not exceed one-half of \$67,492, the amount for a full year term. The SSPCA will accept, at the city's discretion, up to 416 animals during the term. Excluded from this count are any animals brought to the SSPCA for end-of-life care only and animals returned after placement or adoption. During this extension, the city will continue to pay the SSPCA \$168 per animal for each animal above the 416 previously listed.

Any city licensing fees, impound fees, penalties, unaltered impound fees, vaccine fees and boarding fee collected or received by the SSPCA would be remitted to the city.

This agreement is included in the FY 2021-22 General Fund (Fund 010) Budget in the Animal Services Division.

ENVIRONMENTAL REVIEW

This action by the City Council is exempt from environmental review pursuant to Section 15061(b)(3) (Review for Exemption) of the California Environmental Quality Act.

ATTACHMENTS

1. Resolution No. 10829 - A Resolution Authorizing the City Manager to Execute Amendment No. 2 to the Agreement (Contract No.172-21 18-009) Between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for Shelter Services
2. Amendment No. 1 to Contract No. 172-21 18-009 between the City of Folsom and the SSPCA
3. 2018 original Contract No. 172-21 18-009 between the City of Folsom and the SSPCA

Submitted,

Richard D. Hillman, Chief of Police

ATTACHMENT 1

RESOLUTION NO. 10829

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT NO. 2 TO THE AGREEMENT (CONTRACT NO. 172-21 18-009) BETWEEN THE CITY OF FOLSOM AND THE SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR SHELTER SERVICES

WHEREAS, the Sacramento Society for the Prevention of Cruelty to Animals (SSPCA) is a non-profit organization dedicated to providing shelter for homeless, lost, or abused pets; low-cost spay and neuter services; and public education; and

WHEREAS, through Amendment No. 1, the original contract that expired on December 31, 2020, was extended through December 31, 2021, and has continued to be honored in 2022; and

WHEREAS, the SSPCA has requested that a contract extension be memorialized in writing while proposed edits to the current agreement and negotiations proceed; and

WHEREAS, to ensure that shelter services are provided during contract negotiations, staff seeks approval to authorize the City Manager to extend the terms of the agreement through June 30, 2022; and

WHEREAS, funds are budgeted and available in the FY 2021-22 General Fund (Fund 010) Operating Budget in the Animal Services Division; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute Amendment No. 2 to the Agreement (Contract No. 172-21 18-009) between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for Sheltering Services .

PASSED AND ADOPTED this 12th day of April 2022, by the following roll-call vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

ABSENT: Councilmember(s):

ABSTAIN: Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2

CITY OF FOLSOM
AMENDMENT NO. 1
TO
THE CONTRACT BETWEEN THE CITY OF FOLSOM AND THE SACRAMENTO SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS FOR SHELTER SERVICES

The contract between the City of Folsom and the Sacramento Society for the Prevention of Cruelty to Animals for shelter services dated January 1, 2018, is amended as set forth on Exhibit 1, Amendment to Section 12.01 Term. (Exhibit 1 is attached hereto and incorporated herein by this reference.) Except as amended herein, all other provisions of the contract will remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

Date: 9/10/21

City of Folsom, a Municipal Corporation

[Signature]

By: Elaine Andersen, City Manager

Date: 8/26/2021

Sacramento Society for the Prevention of Cruelty to Animals, a California Corporation

[Signature]

By: KENN ALTINE, Chief Executive

Officer

By: _____

Approved As To Content

[Signature]
Richard D. Hillman, Chief of Police

8/31/21

Date

Approved As To Form:

[Signature]
Steven Wang, City Attorney

9/10/2021

Date

Attests:

Funding Available:

[Signature] 9/13/21
Christa Freemantle, City Clerk Date

[Signature] 9/10/21
Stacey Tamagni, Finance Director Date

NOTICE: SIGNATURE(S) ON BEHALF OF CONSULTANT MUST BE NOTARIZED.

A certificate of acknowledgment in accordance with the provisions of civil code section 1189 must be attached for each person executing this agreement on behalf of the consultant. California Civil Section provides, at part (b): "Any certificate of acknowledgment taken in another place shall be sufficient in this state if it is taken in accordance with the laws of the place where the acknowledgment is made."

Sacramento Society for the Prevention of the Cruelty of Animals for Shelter Services
Amendment No. 1 – Term of Agreement

Folsom File No. 172-21 18-009
RES 10675 8/24/2021 Amendment No. 1



35909

EXHIBIT 1

AMENDMENT NO. 1

To

**CONTRACT BETWEEN THE CITY OF FOLSOM AND THE SACRAMENTO SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR SHELTER SERVICES**

With this amendment, Section 12.01, Term, is amended by adding the following:

12.01 Term.

The term of this Contract is extended for one (1) year. This extension shall commence on as of the date of approval by the governing bodies of both parties and continue through December 31, 2021, unless the Contract is otherwise terminated as set forth in Section 12.01.

ATTACHMENT 3

**CONTRACT BETWEEN THE CITY OF FOLSOM AND THE SACRAMENTO
SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR SHELTER
SERVICES**

THIS CONTRACT is made on January 1, 2018, by and between the City of Folsom, a Municipal Corporation (the "CITY") and the Sacramento Society for the Prevention of Cruelty to Animals, a California Corporation (the "SHELTER"), collectively referred to as the "Parties."

ARTICLE ONE – DEFINITIONS

The Parties agree that the following definitions shall apply to this Contract:

Section 1.01 **"Contract"** shall mean the enforceable CONTRACT between the parties to perform a service in consideration for specified compensation.

Section 1.02 **"Animals"** shall mean domestic animals such as dogs, cats and domesticated rabbits, non-indigenous reptiles and shall exclude birds, fowls and livestock as defined herein.

Section 1.03 **"Annual Payment"** shall mean the annual amount CITY pays SHELTER for SHELTER's services calculated pursuant to the terms of this Contract.

Section 1.04 **"Birds" and "Fowls"** shall be defined as an Animal belonging to the class of Aves including members of the parrot family and all game birds, including but not limited to dove, quail, duck, goose, pigeon, cardinal, blue jay, robin, sparrow, blackbird and crow.

Section 1.05 **"CITY"** shall mean the City of Folsom, a California Municipal Corporation.

Section 1.06 **"CITY Ordinance"** shall refer to Title 7 of the Folsom Municipal Code as same may, from time to time be amended.

Section 1.07 **"CITY Licensing Program"** shall mean the CITY program of licensing dogs and cats in accordance with Folsom Municipal Code Section 7.06 and California Food and Agriculture Code Section 30501.

Section 1.08 **"Contract Fees"** shall mean the monthly agreed price per Contract year for services rendered by SHELTER to CITY pursuant to this Contract. This rate shall be calculated by dividing the Annual Payment by the number of months (12) within the current CONTRACT year.

Section 1.09 **"Facility"** shall mean the facility or facilities used by SHELTER in providing shelter and other services for CITY pursuant to this Contract.

Section 1.10 **"Livestock"** shall be defined as set forth in the Folsom Municipal Code and shall include swine, sheep, goat, horse, cattle, equine, or bovine Animal.

Section 1.11 **"Redemption Period"** shall mean the period of time that a stray Animal is held at the Facility to provide the owner time to reclaim and is defined by Folsom Municipal Code Section 7.10.040(A) to be not less than seven days, not including the day of impoundment, unless sooner redeemed by the owner.



Section 1.12 **“SHELTER”** shall mean to the Sacramento Society for the Prevention of Cruelty to Animals (SSPCA) and its representatives.

ARTICLE TWO - IMPOUNDMENT

Section 2.01 **Facility.** The SHELTER represents that its Facility shall house and process Animals for CITY in a manner for SHELTER to meet its obligations herein as well as meets applicable legal requirements for Animal shelters, including all rules and regulations pursuant to California Civil Code section 1813, et seq., including but not limited to, Civil Code sections 1834, 1834.4 and 1846.

Section 2.02 **Impoundment.** The SHELTER agrees that it shall accept all Animals brought to its Facility by designees of the CITY, and its citizens. Such Animals shall be impounded under the exclusive control and custody of the SHELTER for periods of time as required by law, including the California Food and Agriculture Code sections 31108 and 31752 and Section 7.10.040 of the Folsom Municipal Code, and Section 1.11 of this Contract, whichever provides for a longer impoundment period. Prior to delivery to the SHELTER, the CITY shall scan for microchips or search for a CITY license and use all reasonable diligence to notify the licensed owner, if any. CITY reserves the right to accept the surrender of any animal in the field, and to impound, return, place or dispose of the animal in the CITY’s sole and complete discretion as the CITY deems appropriate without the consent or involvement of the SHELTER. SHELTER agrees to accept the surrender of ownership of an Animal by its owner who is a resident of the CITY with the prior approval of the Animal Services Officer of the CITY. Any Animal not defined in Article One shall not be delivered to the SHELTER without calling and consulting with the SHELTER as to the feasibility of impoundment, holding, and care, or available options for placement.

Section 2.03 **Holding.** Every Animal delivered to the Facility by the CITY shall become property of the SHELTER to process in accordance with this Contract regarding impoundment and redemption. The Redemption Period is defined in Section 1.11 above. The SHELTER acknowledges and agrees that Chapter 7.10 of the Folsom Municipal Code governs the impoundment, disposition and adoption of all Animals brought to the SHELTER by the CITY except for otherwise provided in this contract. Neither the CITY nor any agency, nor agent of the CITY shall have any claim or right to any Animal not claimed and redeemed during the Redemption Period. Should the CITY inform the SHELTER of its intent to continue holding an Animal prior to 6:00 p.m. of the final day of any given hold period, the SHELTER shall continue to hold the accepted Animal for the time period requested by the CITY. The SHELTER shall be solely responsible for all costs and expenses related to the accepted Animal(s) incurred after the holding period.

Section 2.04 **Care.** The SHELTER agrees that it shall provide reasonable and appropriate care for all Animals delivered to the Facility by the CITY. This includes adequate shelter, food, water and all other humane treatment.

Section 2.05 **Veterinary Care.** Unless prior authorization is provided by the CITY, the SHELTER’s acceptance and care provided for any injured or seriously ill animal shall be at the SHELTER’s sole cost and expense. Whenever exigent circumstances during the “redemption

period” (see definition at Section 1) require the SHELTER to provide immediate emergency medical care to any injured or seriously ill accepted animal and such care is actually provided, the CITY may, upon request and in its sole discretion, reimburse the SHELTER for all, or part of any reasonable cost and expenses associated with the emergency medical care of the animal. The CITY understands that the SHELTER will not provide veterinary care to animals brought into the Facility by the CITY. If the CITY impounds an animal that is injured or seriously ill, the CITY will provide immediate veterinary care through the CITY’s contract provider.

ARTICLE THREE– ANIMAL DISPOSITION

Section 3.01 Disposition Policy. The SHELTER shall have the undisputed right, consistent with Title 7 “Animals” of the Folsom Municipal Code and this Contract, to dispose of every Animal given into its custody in accordance with the following policy:

The SHELTER shall have the sole and exclusive right to determine the responsibility of persons offering to become the owners of unclaimed Animals and the suitability of the home offered, and shall have the sole and exclusive right to accept or reject such applicants for unclaimed Animals.

The SHELTER shall have the sole and exclusive right to determine if and when Animals are to be placed or euthanized but agrees to make a good faith attempt to place Animals prior to euthanizing them.

The SHELTER shall have the right to humanely euthanize any Animal impounded that is found to be physically suffering, injured or have a communicable disease prior to the end of the Redemption Period. Other treatable communicable diseases, such as Bordetella, shall be treated during the Redemption Period and in accordance with Section 2.05.

Section 3.02 Impoundment, Boarding and Adoption. The SHELTER agrees, in accordance with Section 3.01 of this Contract, that if the owner of an impounded Animal shall claim the Animal prior to the Redemption Period the SHELTER shall collect from the owner the impoundment fee(s) together with the cost of board at the current rate per Animal. Further, the SHELTER shall require the owner of every impounded Animal to pay all applicable fees including licensing and vaccination fees of an impounded Animal which has not been inoculated and licensed, as required by Chapters 7.06 and 7.08 of the Folsom Municipal Code, as well as any costs for veterinary care incurred pursuant to Section 2.05. The SHELTER shall set, in accordance with the law, all fees, if any, it charges to the public for an Animal adoption.

ARTICLE FOUR-COLLECTION OF FEES

Section 4.02 Disposition of Funds. Any CITY licensing fees, impound fees, unaltered fees, boarding fees, and veterinary care expenses collected or received by SHELTER shall be accounted for separately and shall not be used to offset the Annual Payment relating thereto as may be required in this Contract. Any monies paid in owner-returned cases to the SHELTER for impoundment during the Redemption Period shall be accounted for separately by the SHELTER, but will not be used to offset the calculation of the Annual Payment. These funds shall be the property of the CITY and remitted to the CITY in accordance with this Contract.

Section 4.03 **Waiver of Impound Fees.** The CITY will allow flexibility to the SHELTER to waive impound fees for animals, if the owner agrees to sterilize their animal.

ARTICLE FIVE- COST OF SERVICES AND FEES

Section 5.01 **Fees Schedule.** The CITY and SHELTER agree to the following:

- (i.) During the first year of this Contract, January 1, 2018 to December 31, 2018, CITY will pay SHELTER an amount not to exceed sixty-four thousand eight hundred ninety-six and Zero/100s Dollars (\$64,896.00) and the SHELTER shall accept, at CITY's discretion, up to 400 Animals in this twelve (12) month period. Excluded from this count are any Animals brought to the SHELTER for end-of-life care only and Animals returned after placement or adoption.
- (ii.) During the second year of this Contract, January 1, 2019 to December 31, 2019, CITY will pay SHELTER an amount not to exceed sixty-four thousand eight hundred ninety-six and Zero/100s Dollars (\$64,896.00) and the SHELTER shall accept, at CITY's discretion, up to 400 Animals in this twelve (12) month period. Excluded from this count are any Animals brought to the SHELTER for end-of-life care only and Animals returned after placement or adoption.
- (iii.) During the third year of this Contract, January 1, 2020 to December 31, 2020, CITY will pay SHELTER an amount not to exceed sixty-seven thousand four hundred ninety-two and Zero/100s Dollars (\$67,492.00) and the SHELTER shall accept, at CITY's discretion, up to 416 Animals in this twelve (12) month period. Excluded from this count are any Animals brought to the SHELTER for end-of-life care only and Animals returned after placement or adoption.

Section 5.02 **Contract Fees.** The SHELTER agrees to bill the CITY the Annual Cost of Services and Fees in twelve equal monthly installments. City agrees to pay non-disputed invoices, net 45, from date of receipt of invoice. The City also agrees to pay SHELTER for each animal in excess of the yearly animal intake amounts as established in Section 5.01 as follows:

- (i.) During the first year of this Contract, January 1, 2018 to December 31, 2018, one hundred sixty-two and Zero/100s Dollars (\$162).
- (ii.) During the second year of this Contract, January 1, 2019 to December 31, 2019, one hundred sixty-two and Zero/100s Dollars (\$162).
- (iii.) During the third year of this Contract, January 1, 2020 to December 31, 2020, one hundred sixty-eight and Zero/100s Dollars (\$168).

Section 5.03 **Livestock.** The CITY agrees that the responsibility for seizing, securing, housing and disposing of livestock belongs to the CITY. In the event, for any reason, the CITY delivers livestock to the SHELTER which was seized in its jurisdiction by the duly appointed agents of

the CITY, the SHELTER shall be paid for actual expenses it incurs to feed, house, transport and dispose of such livestock in addition to any other amounts under this Contract. SHELTER agrees to abide by all applicable law in processing livestock hereunder.

Section 5.04 Rendering Services for Dead Animals. CITY shall be responsible for its own rendering. In the event SHELTER euthanizes any Animal delivered by CITY residents during its Redemption Period, SHELTER shall appropriately store the remains for up to five (5) business days at no cost to the CITY, during which the CITY shall collect the remains for disposal.

Section 5.05 Humane Investigations. Folsom Animal Services will respond to and investigate all humane cases. Humane investigations where the animal is removed from the home due to neglect, abuse, etc. and protective custodies where the Animal Services Officer has determined that the animal should be impounded due to the absence of a caretaker or the caretaker's inability to provide for the animal shall constitute special holdings and will be charged accordingly. All special holdings, including rabies quarantine, require a written release by the CITY. No animal held for humane investigation or protective custody shall have visitation by the owner unless otherwise authorized by the Animal Services Officer.

Humane cases and bite quarantine cases that require the impoundment of an animal that requires extended care or quarantine beyond the "redemption period" will be charged board at the rate of twenty-five and Zero/100s Dollars (\$25) per day per Animal. Animals held in protective custody will be charged board at the rate of twenty and Zero/100s Dollars (\$20) per day per Animal. Animals held for regular stay holds will be charged board at the rate of fifteen and Zero/100s Dollars (\$15) per day per Animal.

The SHELTER will make every attempt to collect impound fees from the animal owner at the time of redemption. If collected, the CITY will only be responsible for the remaining contractual balance. These fees will be paid to the SHELTER by the CITY in addition to the "Fees Schedule" as outlined in Section 5.01.

Section 5.06 Software. The SHELTER shall provide the CITY with full access to shelter software program, via internet connection or otherwise remotely available at the CITY offices, and rights to all CITY data contained therein in the event the SHELTER changes software vendors. The SHELTER shall provide the CITY a minimum of two (2) users access to the software program. The users shall be designated by the CITY. Such access shall at a minimum allow the designated CITY user to view and print and save all reports and databases related to the Contract, including, but not limited to, the status and disposition of all Animals deposited at the facility. CITY's share of the costs of the software shall be four hundred seventy-three and Zero/100s Dollars (\$473) per month. These fees will be paid to the SHELTER by the CITY in addition to the "Fees Schedule" as outlined in Section 5.01. The SHELTER shall provide the City with up to twenty hours training annually. When software program updates are to be implemented, the SHELTER shall provide the CITY advance notice and support to include training. The SHELTER shall ensure that technical support is available to the CITY during this contract period. Immediately upon termination of the contract, or upon the request by the CITY, the CITY shall be entitled to all data, files, documents, drawings, specifications, reports, estimates, summaries, and other such material and property of the CITY as may have been prepared or accumulated to date by the SHELTER in performing this contract. SHELTER will

be allowed to retain copies of all deliverables to the CITY. The CITY is responsible for notifying the SHELTER of any employee changes so the SHELTER can modify access to the software system.

Section 5.07 Report.

- (a) The SHELTER shall provide to the CITY, on or before the 20th day following each month during the term of this Contract, a report setting forth the following information for each Animal delivered by designees of the CITY, and its citizens, to the Facility:
 - (i) date delivered to the SHELTER;
 - (ii) source of delivery (name of Animal Services Officer, citizen, owner surrender);
 - (iii) type of Animal (cat, dog or other);
 - (iv) assigned identification number of Animal;
 - (v) duration of stay at the SHELTER for each Animal delivered by the CITY;
 - (vi) reason for impoundment if not a stray;
 - (vii) total number of Animals delivered to the SHELTER for the previous month.

- (b) The SHELTER shall also provide to the CITY a report of any livestock or wildlife delivered by the designees of the CITY, and its citizens to the Facility setting forth:
 - (i) the date of delivery;
 - (ii) the source of delivery (name of Animal Services Officer, citizen, owner surrender);
 - (iii) the reason for delivery;
 - (iv) the type of livestock or wildlife;
 - (v) assigned identification number of Animal;
 - (vi) any expenses incurred to date.

Section 5.08 Financial Records and Audit. SHELTER shall ensure that all information as it relates to number of Animals processed on behalf of the CITY, to include those impound fees or boarding fees, unaltered fees and licensed fees, as well as the name of any the person associated with the Animal, their address, the reason the Animal was relinquished, and the location where the Animal was acquired or originated from prior to being relinquish to the SHELTER, if known is accurate, updated, and reviewed on a daily basis. The SHELTER agrees to provide CITY full

access to these reports. The SHELTER's financial yearly report must be accessible by the CITY Manager of the CITY on a yearly basis. CITY reserves the right to conduct its own audit of the records of the SHELTER at any time it deems necessary for the limited purpose of verifying the Annual Payment and the Contract Fees relating thereto, the number of Animals licensed, and the number and ratio of Animals processed on behalf of the CITY compared to the total number of Animals processed by the SHELTER, the length of stay of each such Animal and the collection of fees for various services and items.

ARTICLE SIX- RABIES OBSERVATION

Section 6.01 Rabies Observation. The SHELTER agrees to accept from the CITY Animals for rabies observation and quarantine. Such Animals delivered for rabies observation shall be isolated for a period of not less than ten (10) days from the date of the bite or, in the case of a wild, stray or owner surrendered Animal, three (3) days if the CITY, in its sole discretion, decides to euthanize the Animal and send it to the Sacramento County Public Health Services for rabies testing. If such an Animal is delivered by a CITY resident, SHELTER shall immediately notify the Animal Services Officer of the CITY or his/her designee of such delivery. The SHELTER shall be responsible for the humane euthanasia, and storage. The CITY will be responsible for processing, transport, and delivery for testing of Animal carcasses for suspected rabies Animals. The SHELTER shall make available to the CITY, upon request, information about the disposition of any rabies suspected Animal. The CITY shall pay the SHELTER the appropriate fees for quarantine as identified in Section 5.05.

ARTICLE SEVEN- LEGAL HOLDS

Section 7.01 Legal Holds. In the event an Animal or livestock is being held by the SHELTER as a result of a cruelty seizure, criminal prosecution or other legal hold by the CITY, the CITY shall reimburse the SHELTER for any veterinarian invoices and medical bills incurred by the SHELTER until the Court awards the Animal or livestock to the CITY, orders it euthanized or orders it returned to its owner. In no event shall SHELTER incur more than Two Hundred Dollars (\$200.00) in veterinarian and/or medical bills per Animal under this Section without the prior written authorization of the CITY. The CITY shall not be liable for these costs in the event the Court orders the Animal or livestock owner to pay such costs and the same are paid within sixty (60) days of such order. If the fees are not paid by the Animal or livestock owner, after sixty (60) days, the CITY shall be liable for those fees and shall remit the same upon invoice by the SHELTER. In such instance, the SHELTER confers upon the CITY all rights and remedies it may have by law or equity to recover such fees and costs from the owner.

ARTICLE EIGHT-CITY REPRESENTATIONS AND OBLIGATIONS

Section 8.01 The CITY represents to the SHELTER that, as of the date of this Contract, the CITY requires rabies vaccination pursuant to Chapter 7.08 of the Folsom Municipal Code, and requires licensing of Animals pursuant to Chapter 7.06 of the Folsom Municipal Code.

ARTICLE NINE– SHELTER REPRESENTATIONS AND OBLIGATIONS

Section 9.01 **Hours of Operation.** The SHELTER shall keep its Facility open to the public within the guidelines set forth by law, under mandate or based on the operational needs of the SHELTER in accordance with the law.

Section 9.02 **Use of CITY funds.** SHELTER agrees that any monies it collects on behalf of CITY pursuant to the terms of this Agreement shall be handled in accordance with generally accepted accounting principles.

Section 9.03 **Residency Verification.** The SHELTER shall verify the residency of citizens depositing Animals to their facility through a valid CA driver's license, State issue ID, or other proof of Folsom residency, evidencing a City of Folsom address.

ARTICLE TEN - INSURANCE

Section 10.01 **Evidence of Insurance Coverage.** Prior to commencement of any work under this Contract, SHELTER shall provide evidence of insurance coverages for general liability, auto and statutory worker's compensation set forth in Exhibit "A" attached to this Contract, and shall further maintain such insurance coverage in effect during the term of this Contract.

CITY shall provide SHELTER an additional insured endorsement that extends the CITY's general liability insurance coverage to the SHELTER limited to coverage for the negligent acts of CITY employees while on SHELTER premises which result in actual damage to the SHELTER.

ARTICLE ELEVEN – INDEMNIFICATION

Section 11.01 **Indemnification.** SHELTER shall defend, indemnify, and save and hold harmless CITY, it's officers, agents, contractors, volunteers, elected and appointed officials, and employees from any claims, suits, or actions of every name, kind, and description brought forth, or on account of, injuries to or death of any person (including but not limited to workers and the public) or damage to property, resulting from or arising out of SHELTER's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights created by this Contract, except those matters arising from CITY's sole active negligence.

CITY shall defend, indemnify, and save and hold harmless SHELTER, their officers, agents, contractors, volunteers, and employees from any claims, suits, or actions of every name, kind, and description brought forth, or on account of, injuries to or death of any person (including but not limited to workers and the public) or damage to property, resulting from or arising out of CITY's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights created by this Contract, except those matters arising from SHELTER's sole active negligence.

The Parties intend that this provision shall be broadly construed within the limits of state law.

ARTICLE TWELVE - TERM

Section 12.01 **Term.** This Contract shall be for a term of three (3) years commencing as of the date of approval by the governing bodies of both parties. Both parties may adopt, by written agreement, an additional one year extension prior to the expiration date of this Contract. Either party may cancel this Contract at any time without penalty upon one hundred eighty (180) days written notice to the non-cancelling party. In the event of termination, the CITY shall pay those fees that accrue to the termination date and be refunded any credits that may accrue to the termination date.

ARTICLE THIRTEEN - DEFAULT

Section 13.01 It is expressly agreed by CITY and SHELTER that the defaults contemplated by this section apply to the administrative sections of the Contract and not to any Animal care or welfare requirements herein. Any default involving the care and/or welfare of the Animals shall be cured immediately.

Section 13.02 **SHELTER Default.** If SHELTER fails in any material term or condition of this Contract, including failing to obtain or comply with applicable state law requirements for performing services hereunder, SHELTER shall be in default of this Contract. Whenever CITY determines it's feasible, CITY will give SHELTER a reasonable amount of time to correct the default upon written notice as to the nature of the default and the reasonable time period within which to cure same.

If SHELTER is unable to timely cure a default, then CITY may, in its sole discretion, terminate this Contract and shall thereafter be excused from performing any further obligations under this Contract. In addition, if SHELTER fails in any material term or condition of this Contract, CITY, as its option, may terminate this Contract, and CITY may thereafter pursue its remedies available at law.

Section 13.03 **CITY Default.** If CITY fails in any material term or condition of this Contract and SHELTER is not in default, SHELTER, as its option, may terminate this Contract, and SHELTER may thereafter pursue its remedies available at law.

In the event the CITY fails to remit to the SHELTER the Contract Rate or any additional undisputed fees and expenses due hereunder, the CITY shall be in default. The SHELTER may, in its sole discretion, terminate this Contract for non-payment of undisputed fees if the CITY has not cured its default after sixty (60) days written notice.

ARTICLE FOURTEEN-NOTICE.

Section 14.01 **Notice.** Any notice sent under this Contract except as may be otherwise expressly required in this Contract shall be written and mailed by certified receipt requested, or sent by electronic or facsimile transmission confirmed by mailing written confirmation at substantially the same time as such electronic or facsimile transmission, or personally delivered to an officer of the receiving party at the following:

To the SHELTER:

Sacramento Society for the Prevention of Cruelty to Animals (SSPCA)
 Attn: Chief Executive Officer
 6201 Florin Perkins Road
 Sacramento, CA 95828
 Telephone: (916) 383-7387
 Facsimile: (916) 383-7062

To CITY:

City of Folsom Police Department
 Lieutenant, Neighborhood Services Bureau
 46 Natoma Street
 Folsom, CA 95630
 Telephone: (916) 351-3442

Section 14.02 Each party may change its address by written notice to the other party in accordance with this section. Any communication addressed and mailed in accordance with this section shall be deemed to be given when so mailed, any notice so sent by electronic or facsimile transmission shall be deemed to be given when receipt of such transmission is acknowledged or confirmed, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, the other party, as the case may be.

ARTICLE FIFTEEN-MEDIATION

Section 15.01 **Mediation.** Any dispute or claim in law or equity arising out of this Contract or any resulting transaction, including disputes or claims involving the parties to this Contract, their officers, agents or employees, shall be submitted to neutral, non-binding mediation prior to the commencement of litigation or any other proceeding before a trier of fact. The parties to the dispute or claim agree to act in good faith to participate in mediation, and to identify a mutually acceptable mediator. Both parties to the mediation agree to share equally in its cost. If the dispute or claim is resolved successfully through the mediation, the resolution will be documented by a written agreement executed by both parties. If the mediation does not successfully resolve the dispute or claim, the mediator shall provide written notice to the parties reflecting the same, and the parties may then proceed to seek an alternative form of resolution of the dispute or claim, including through a court of competent jurisdiction, in accordance with the remaining terms of this Contract and other rights and remedies afforded to them by law.

ARTICLE SIXTEEN-MISCELLANEOUS

Section 16.01 **Licenses, Permits, and Other Approvals.** SHELTER represents and warrants to CITY that it has all licenses, permits, qualifications and approvals of whatsoever nature legally required for SHELTER to perform the work described herein. SHELTER represents and warrants to CITY that SHELTER shall, at its sole cost and expense, obtain and/or keep in effect at all times during the term of this SHELTER any licenses, permits, and approvals which are legally required for SHELTER to perform the services under this Contract.

Section 16.02 Records and Inspection. SHELTER shall maintain records, books, documents and other evidence directly pertinent to the performance of work under this Contract in accordance with generally accepted accounting principles and practices. CITY shall have the right to access and examine such records, without charge, during normal business hours. CITY shall further have the right to audit such records, to make transcripts there from and to inspect all program data, documents, proceedings, and activities.

Section 16.03 Attorneys' Fees. In the event an action or proceeding is instituted by either party for the breach or enforcement of any provision of this Contract, the prevailing party shall be entitled to reasonable attorneys' fees and all litigation expenses, including, but not limited to expert's fees and disbursements.

Section 16.04 Enforceability. If any term or provision of this Contract is found to be void, voidable, invalid or unenforceable by a court of competent jurisdiction under the laws of the State of California, any and all of the remaining terms and provisions of this Contract shall remain binding.

Section 16.05 Time. All times stated herein, or in any other document called for under this Contract, are of the essence.

Section 16.06 Binding. This Contract shall bind and inure to the heirs, devisees, assignees and successors in interest of SHELTER and to the successors in interest of CITY in the same manner as if such parties had been expressly named herein.

Section 16.07 Survivorship. Any responsibility of SHELTER for warranties, insurance, indemnity, record-keeping or compliance with laws with respect to this Contract shall not be invalidated due to the expiration, termination or cancellation of this Contract.

Section 16.08 Construction and Interpretation. SHELTER and CITY agree and acknowledge that the provisions of this Contract have been arrived at through negotiation and that each party has had a full and fair opportunity to revise the provisions of this Contract and to have such provisions reviewed by legal counsel. Therefore, any ambiguities in construing or interpreting this Contract shall not be resolved against the drafting party. The titles of the various sections are merely informational and shall not be construed as a substantive portion of this Contract.

Section 16.09 Waiver. The waiver at any time by any party of any of its rights with respect to a default or other matter arising in connection with this Contract shall not be deemed a waiver with respect to any subsequent default or other matter.

Section 16.10 Severability. The invalidity, illegality or unenforceability, of any provision of this Contract shall not render the other provisions invalid, illegal or unenforceable.

Section 16.11 No Third Party Beneficiary. It is expressly understood and agreed that the enforcement of these terms and conditions shall be reserved to the CITY and SHELTER. Nothing contained in the Contract shall give or allow any claim or right of action whatsoever by any third party. It is the express intent of the CITY and the SHELTER that any such person or entity, other than the CITY or SHELTER, receiving benefits or services under this Contract shall be deemed as incidental beneficiary.

Section 16.12 **Non-Discrimination/Non-Preferential Treatment Statement.** In performing this Contract, the parties shall not discriminate or grant preferential treatment on the basis of race, sex, color, age, religion, sexual orientation, disability, ethnicity, or national origin, and shall comply to the fullest extent allowed by law, with all applicable local, state, and federal laws relating to nondiscrimination.

Section 16.13 **Authority to Execute.** The person or persons executing this Contract on behalf of their respective agency warrant and represent that they have the authority to execute this Contract on behalf of their agency and further warrant and represent that they have the authority to bind their agency to the performance of its obligations hereunder.

Section 16.14 **Force Majeure.** Neither party shall be in default by reason of any failure in the performance of this Contract if such failure arises out of causes beyond its reasonable control. Such causes may include, but are not limited to, acts of God, acts of the public enemy, acts of government in either its sovereign or capacity, acts of the party whose performance is not sought to be excused, fires, flood, weather, epidemics, quarantine restrictions, strikes, freight embargoes, failure of transmission or power supply, mechanical difficulties with equipment which could not have been reasonably forecasted or provided for, or other causes beyond its sole control. The party so affected will resume performance as soon as practicable after the force majeure event terminates.

Section 16.15 **Amendment.** This Contract shall not be amended, modified, or otherwise changed unless in writing and signed by both Parties hereto.

Section 16.16 **Venue.** This Contract and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Contract shall be held exclusively in a state court in the County of Sacramento.

Section 16.17 **Entire Agreement.** This instrument and any attachments hereto constitute the entire agreement between CITY and SHELTER concerning the subject matter hereof and supersedes any and all prior oral and written communications between the Parties regarding the subject matter hereof.

END OF TEXT – SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

SACRAMENTO SPCA,
A California Corporation:

(If a corporation, must be signed by two officers of the corporation per Corporations Code section 313.)

2/22/18
Date

94-1312342
Tax I.D. Number

Kenn Altine
Signature

[Signature]
Signature

KENN ALTINE
Print Name

MIKE DEI
Print Name

CEO
Title

CFO
Title

CITY OF FOLSOM, A Municipal Corporation:

3-14-2018
Date

[Signature]
Evert W. Palmer, City Manager

ATTEST:

FUNDING AVAILABLE:

[Signature] 3/14/2018
Christa Freemantle, City Clerk Date

[Signature] 3/12/18
James W. Francis, Finance Director Date

ORIGINAL APPROVED AS TO CONTENT:

ORIGINAL APPROVED AS TO FORM:

[Signature] 3/06/2018
Cynthia Renaud, Chief of Police Date

[Signature] 3/13/18
Steven Wang, City Attorney Date

NOTICE: SIGNATURE(S) ON BEHALF OF SHELTER MUST BE NOTARIZED.
A certificate of acknowledgment in accordance with the provisions of California Civil Code section 1189 must be attached for each person executing this agreement on behalf of shelter. This section provides, at part (b): "Any certificate of acknowledgment taken in another place shall be sufficient in this state if it is taken in accordance with the laws of the place where the acknowledgment is made."

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Sacramento)

On February 22, 2018 before me, Linda S. Salle, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Kenneth E. Altire and
Name(s) of Signer(s)
Michael Phillip Veerkamp Oei

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Linda S. Salle
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

**EXHIBIT A
INSURANCE**

NOTE: The word "Consultant" in this Exhibit refers to "Shelter" as the term is used in the Agreement/Contract to which this Exhibit is attached.

A. During the term of this Agreement, Consultant shall maintain in full force and effect at all times during the term of the contract, at its sole cost and expense, policies of insurance as set forth herein:

1. General Liability:

- a. General liability insurance including, but not limited to, protection for claims of bodily injury and property damage liability, personal and advertising injury liability and product and completed operations liability.
- b. Coverage shall be at least as broad as Insurance Services Office Commercial General Liability coverage form CG 0001 (occurrence).
- c. Claims-made coverage is not acceptable.
- d. The limits of liability shall not be less than:

Each occurrence:	One Million Dollars (\$1,000,000)
Products & Completed Operations:	One Million Dollars (\$1,000,000)
Personal & Advertising Injury:	One Million Dollars (\$1,000,000)
- e. If a general aggregate limit of liability is used, the minimum general aggregate shall be twice the 'each occurrence' limit or the policy shall contain an endorsement stating that the general aggregate limit shall apply separately to the project that is the subject of the contract.
- f. If a products and completed operations aggregate limit of liability is used, the minimum products and completed operation aggregate shall be twice the 'each occurrence' limit or the policy shall contain an endorsement stating that the products and completed operations aggregate limit shall apply separately to the project which is the subject of the contract.
- g. If the Consultant maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

2. Automobile Liability:

- a. Automobile liability insurance providing protection against claims of bodily injury and property damage arising out of ownership, operation, maintenance, or use of owned, hired, and non-owned automobiles.
- b. Coverage shall be at least as broad as Insurance Services Office Automobile Liability coverage form CA 0001, symbol 1 (any auto).
- c. The limits of liability per accident shall not be less than:

Combined Single Limit

One Million Dollars (\$1,000,000)

- d. If Automobile Liability coverage, as required above, is provided by the Commercial General Liability form, the General Liability policy shall include an endorsement providing automobile liability as required above.
3. Workers' Compensation:
- a. Workers' Compensation Insurance, with coverage as required by the State of California (unless the Consultant is a qualified self-insurer with the State of California), and Employer's Liability coverage.
 - b. Employer's Liability Coverage with a limit not less than \$1,000,000 per accident for bodily injury and disease.
 - c. Consultant shall sign and file with the City department responsible for this Agreement/Contract the Worker's Compensation Certificate contained in the Project Manual.
4. Insurance Required in the Supplementary Conditions: Consultant shall be required to comply with all conditions as stipulated in the Standard Construction Specifications, any supplementary conditions and any special provisions as applicable.
5. Professional Liability Insurance
If required, errors and omissions, malpractice or professional liability insurance with coverage of not less than \$1,000,000 per claim.
6. Other Insurance Provisions:
- a. The Consultant's General Liability and Automobile Liability policies shall contain, or be endorsed to contain, the following provisions:
 - i. The City, its officials, employees, agents and volunteers shall be covered and specifically named as additional insureds on a separate endorsement as respects liability arising out of activities performed by or on behalf of the Consultant, products and completed operations of the Consultant, premises owned, occupied, or used by the Consultant, or automobiles owned, leased, hired, or borrowed by the Consultant in a form acceptable to the City Attorney.
 - ii. The Endorsement requirement may be satisfied with express provisions in the insurance policy(ies) which identifies any person or entity required to be included as an insured under the policy. A copy of the declarations page identifying the policy number, and pertinent provisions in the policy providing additional insured coverage shall be provided to the City.
 - iii. The policy shall contain no special limitations on the scope of coverage afforded to the City, its officials, employees, agents or volunteers.
 - b. For any claims related to the project, the Consultant's General Liability and Automobile insurance coverage shall be primary insurance in their coverage of the City and its officers, officials, employees, agents, or volunteers, and any insurance or self-insurance maintained by the City, its officers, officials, employees, agents or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

- c. Any failure to comply with reporting or other provisions of the policies on the part of the Consultant, including breaches of warranties, shall not affect coverage provided to the City, its officers, officials, employees, agents or volunteers.
 - d. The Consultant's Workers Compensation and Employer's Liability policies shall contain an endorsement that waives any rights of subrogation against the City, its officers, officials, employees, agents, and volunteers.
 - e. Each insurance policy shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, non-renewed, or materially changed except after **30 days prior written notice** by certified mail has been given to the City. Ten days prior written notice by certified mail shall be given to the City in the event of cancellation due to nonpayment of premium.
7. Acceptability of Insurers: Insurance is to be placed with insurers with a **Bests' rating of no less than A:VII.**
 8. The Consultant shall furnish the City with Certificates of Insurance and endorsements or insurance binders, signed by a person authorized by the insurer to bind coverage on its behalf, evidencing the coverage required by this section, the Standard Specifications, Special Provisions and/or any Supplementary Conditions. **The Consultant shall furnish complete, certified copies of all required insurance policies, including original endorsements specifically required hereunder if requested.**
 9. The Consultant shall report, by telephone to the Project Manager within 24 hours, and also report in writing to the City within 48 hours, after Consultant or any Subcontractors or agents have knowledge of, any accident or occurrence involving death of or serious injury to any person or persons, or damage in excess of Ten Thousand Dollars (\$10,000) to property of the City or others, arising out of any work done by or on behalf of the Consultant as part of the contract.
 10. Such report shall contain:
 - a. the date and time of the occurrence,
 - b. the names and addresses of all persons involved, and
 - c. a description of the accident or occurrence and the nature and extent of the injury or damage.
 11. The City, at its discretion, may increase the amounts and types of insurance coverage required hereunder at any time during the term of the contract by giving 30 days written notice.
 12. If the Consultant fails to procure or maintain insurance as required by this section, the Standard Specifications, and any Supplementary Conditions, or fails to furnish the City with proof of such insurance, the City, at its discretion, may procure any or all such insurance. Premiums for such insurance procured by the City shall be deducted and retained from any sums due the Consultant under the contract.
 13. Failure of the City to obtain such insurance shall in no way relieve the Consultant from any of its responsibilities under the contract.
 14. The making of progress payments to the Consultant shall not be construed as

relieving the Consultant or its Subcontractors of responsibility for loss or direct physical loss, damage, or destruction occurring prior to final acceptance by the City.

15. The failure of the City to enforce in a timely manner any of the provisions of this section shall not act as a waiver to enforcement of any of these provisions at any time during the term of the contract.
16. In the event Consultant carries Excess Liability Coverage, the Excess Liability Coverage shall apply to any and all claims related to the project on a primary and non-contributory basis, and the City's insurance or self-insurance coverage shall be excess to the Consultant's Excess Liability Coverage.



Folsom City Council Staff Report



MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10832 – A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study and Appropriation of Funds
FROM:	Public Works Department

RECOMMENDATION / CITY COUNCIL ACTION

The Public Works Department recommends that the City Council pass and adopt Resolution No. 10832 – A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study and Appropriation of Funds.

BACKGROUND / ISSUE

The goal of the Riley Street Sidewalk Project, now named the Historic District Connectivity Project to better describe the potential additional scope of the project and goals of the Active Transportation Program grant opportunities, will ultimately construct sidewalks along Riley Street between Sutter Street and East Bidwell Street, and on Dean Way between Coloma Street and Theodore Judah Elementary School. Currently, there are large gaps in the pedestrian infrastructure on Riley Street and no sidewalks on Dean Way. Both roadways are heavily used by pedestrians and being adjacent to Sutter Middle School and Theodore Judah Elementary School, there is a high percentage of student pedestrians. In the few instances where sidewalks do exist on Riley Street, they do not meet the current Americans with Disabilities Act (ADA) requirements. Both locations are identified as high priority projects in the City’s Pedestrian Master Plan (June 2014) and they will be high priorities in the Final City of Folsom Active Transportation Plan (ATP). Staff is currently circulating the Draft ATP for public comment and anticipates it will be presented for adoption prior to June 2022.

In October 2019, the City Council approved Resolution No. 10348 – A Resolution Authorizing the City Manager to Execute a Design and Consulting Services Contract with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study Fiscal Year 2019-20 and Appropriation of Funds.

In July 2020, the City Council approved Resolution No. 10499 – A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study Fiscal Year 2019-20 and Appropriation of Funds. The amendment provided for the application and submission of a Cycle 5 Statewide Active Transportation (ATP) Grant, administered through the California Department of Transportation (Caltrans), on behalf of the Riley Street Sidewalk Project. An application for the Statewide ATP Grant was submitted, however the project was not selected as a funded project.

In May 2021, the City Council approved Resolution No.10622 – A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study Fiscal Year 2019-20 and Appropriation of Funds. The second amendment provided for the application and submission of a Cycle 5 Regional Active Transportation Program (ATP) Grant, administered through the Sacramento Association of Governments (SACOG). An application for the Regional ATP Grant was submitted, however, the project was not selected as a funded project.

City staff, along with the project team from R.E.Y. Engineers, Inc., met with the California Transportation Commission (CTC) for a de-brief following the results of the Cycle 5 project selections. Valuable input was received as to how these grant applications are scored, resulting in a better understanding of critical application components for future application submittals. City staff and the project team from R.E.Y. Engineers, Inc. once again met with the CTC in March 2022 to further clarify additional project components in preparation for the Cycle 6 Statewide ATP Grant, which is due June 15, 2022.

The total project cost for a “Medium Project” grant award was increased for the Cycle 6 round to \$10 million, up from a total project cost of \$7 million for Cycle 5. Due to the proximity of Riley Street and Dean Way to each other, both being identified as high priority projects in City planning documents, and the estimated construction cost of both locations to fit within the medium size project range, it was decided to combine these projects into one project for these grant opportunities.

This contract amendment will be for R.E.Y. Engineers, Inc. to provide full-service assistance for the preparation of the Cycle 6 Statewide and Regional ATP Grant Application (if not selected for the Statewide application) for the Historic District Connectivity Project. It was determined that due to the extensive experience that R.E.Y. Engineers, Inc. has with this project and the associated documents required for this grant opportunity, it would be in the best interest of the project to continue utilizing this project team for the Cycle 6 applications.

POLICY / RULE

Section 2.36.080, Award of Contracts of the Folsom Municipal Code states, in part, that contracts for supplies, equipment, services and construction with an estimated value of \$66,141 or greater shall be awarded by City Council.

ANALYSIS

City staff has reviewed the R.E.Y. Engineers, Inc. scope and fee to provide Professional Services Grant Writing Assistance for the Cycle 6 Statewide and Regional ATP Grants and has determined that the proposed services and fee are consistent with the amount of work necessary to conduct data gathering, public outreach, preparation, and submittal of these grant applications.

Staff will use the City's standard Amendment to Agreement for Design Consulting Services in a form acceptable to the City Attorney.

FINANCIAL IMPACT

The original contract with R.E.Y. Engineers, Inc. for the project Feasibility Study was authorized for \$95,840. Amendment #1 for the Statewide ATP Grant application was authorized for an additional amount of \$35,678. Amendment #2 for the Regional SACOG Grant application was authorized for an additional amount of \$6,948. If approved, this third amendment would increase the contract amount by \$55,954 to a total not-to-exceed contract amount of \$194,420.

Staff is requesting an additional appropriation in the amount of \$55,954 from the Transportation Impact Fees Fund (Fund 446) for this project and funds are currently available

ENVIRONMENTAL REVIEW

This component of the project has been deemed categorically exempt from environmental review.

ATTACHMENT

1. Resolution No. 10832 - A Resolution Authorizing the City Manager to Execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study and Appropriation of Funds

Submitted,



Mark Rackovan, PUBLIC WORKS DIRECTOR

RESOLUTION NO. 10832

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH R.E.Y. ENGINEERS, INC. FOR THE RILEY STREET SIDEWALK FEASIBILITY STUDY AND APPROPRIATION OF FUNDS

WHEREAS, the City of Folsom desires to install sidewalks along Riley Street between Sutter Street and Coloma Street and on Dean Way between Coloma Street and Theodore Judah Elementary School; and

WHEREAS, the City of Folsom desires to improve pedestrian safety for students traveling to and from Sutter Middle School and Theodore Judah Elementary School; and

WHEREAS, the City has determined that the Riley Street Sidewalk, now being called the Historic District Connectivity Project, is a good candidate for both the Statewide and Regional Active Transportation Program (ATP) Grants; and

WHEREAS, the scope and fee for R.E.Y. Engineers, Inc. to provide Cycle 6 ATP Professional Grant Writing services is consistent with the amount of work necessary for data gathering, public outreach, preparation, and submittal of these grant applications; and

WHEREAS, funds in the amount of \$55,954 are available in the Transportation Impact Fees Fund (Fund 446) for Fiscal Year 2021-22; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney: (as applicable to contracts)

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute a Contract Amendment with R.E.Y. Engineers, Inc. for the Riley Street Sidewalk Feasibility Study in the amount of \$55,954 for a total not-to-exceed contract amount of \$194,420.

NOW, THEREFORE, BE IT FURTHER RESOLVED that the Finance Director is authorized to appropriate \$55,954 from the Transportation Impact Fees Fund (Fund 446) for the Riley Street Sidewalk Project.

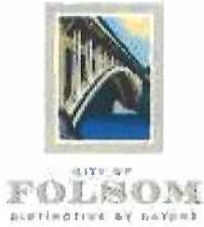
PASSED AND ADOPTED this 12th day of April 2022, by the following roll-call vote:

- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK



Folsom City Council Staff Report



MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution 10833 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Reduced Tipping Fees for Municipal Solid Waste at Kiefer Landfill
FROM:	Public Works Department

RECOMMENDATION / CITY COUNCIL ACTION

The Public Works Department recommends that the City Council adopt Resolution 10833 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Reduced Tipping Fees for Municipal Solid Waste at Kiefer Landfill.

BACKGROUND / ISSUE

In 2007, City Council adopted Resolution No. 8065 which authorized the City Manager to execute a 15-year agreement with Sacramento County to handle and dispose of the City’s municipal solid waste (MSW) at Kiefer Landfill. The agreement contains an annual cost adjustment on the tipping (disposal) fee based on the Consumer Price Index (CPI). There was also a limit placed on the CPI where such increases could not exceed three percent of the previous year’s disposal fee for solid waste tipped at Kiefer Landfill.

Since the initial agreement was executed, the City and County have amended it three times. The first was in 2010 by City Council Resolution No. 8669 which provided reimbursement to the County for the cost of handling and disposal of household hazardous waste (HHW) dropped off by Folsom residents at County facilities. Amendment one integrated most of these costs into the City’s solid waste disposal tipping fee by reducing the discount. It also established a per visit fee to validate Folsom residency (Verification Fee).

The next two amendments, by City Council Resolution No. 9594 in 2015, and City Council Resolution No. 10642 in 2021 were also related to HHW collection services provided to

Folsom residents at County facilities. The changes included updates to the charges for handling and disposal, additional materials to the price list, and updates to the administrative fee. Handling and disposal costs continue to be recovered by the County through the MSW tipping fee and the verification fee is invoiced separately on an annual basis.

The original agreement that expires June 30, 2022, included three one-year extensions upon mutual agreement of both parties. Due to rising costs over the past 15 years, the County is unable to provide the extensions and has proposed a new agreement consistent with the reduced tipping fees (RTF) currently offered for other volume customers. The term of the proposed contract is three (3) years with two (2) mutually agreeable one (1) year extensions.

In addition, the County has proposed that the agreement for RTF no longer be integrated with the household hazardous waste program and that a separate agreement be executed to continue providing that service to Folsom residents.

POLICY / RULE

Section 2.36.080, Award of Contracts of the Folsom Municipal Code states in part that contracts for supplies, equipment, services, and construction with an estimated value of \$66,141 or greater shall be awarded by City Council.

Chapter 5.04, Purchasing and Contracting, of the Folsom City Charter includes in part, a provision for procurement and services and joint contracts with or through other government jurisdictions.

ANALYSIS

In November of 2020, the County implemented rate increases to accommodate for over 10 years with no increases for most fees. Since Folsom is under a contract that does not expire until June 30, 2022, the City was temporarily sheltered from the impact of these increases. The timing also worked to Folsom's advantage in that the Waste and Recycling Division was aware of the rate increase during the most recent rate analysis and the increases were accounted for in the City's rates and fees.

The reasons cited for the increase include inflation, increased green waste and recycling cost, the crash of the recycling market, and compliance with new state mandates. These factors have impacted costs throughout the solid waste industry. Despite the rate increase, Kiefer Landfill remains the lowest-cost facility for both tipping fees and transportation costs. Folsom delivers approximately 6,500 loads per year to Kiefer Landfill. The City of Folsom centroid is seven (7) miles closer to Kiefer than the next closest facility. This difference represents a savings of approximately 38 labor hours and 583 gallons of diesel fuel each week.

FINANCIAL IMPACT

RTF are based on the amount of material delivered each year. Based on Folsom’s historical tonnage of 41,000 tons per year, the City would qualify for a tier two (2), or \$3.00 per ton discount. Folsom also delivers a small amount of hard-to-handle material which does not qualify for the RTF. If the City delivers more MSW than anticipated, the excess tonnage will qualify for the higher discount. If within the term of the contract the City is consistently generating enough material to move into a higher tier, which may occur due to the buildout of Folsom Ranch, there is a contract provision to allow the City to adjust the commitment tier to achieve a higher discount on all material.

Tonnage Tiers	Tons per Year	Disposal Discount from Posted Rate
Tier 1	10,000 - 24,999	\$ (1.00)
Tier 2	25,000 - 49,999	\$ (3.00)
Tier 3	50,000 - 99,999	\$ (5.00)
Tier 4	100,000 or more	\$ (7.00)

Including both MSW and hard-to-handle waste, the department estimates that the Fiscal Year 2021-22 total cost of disposal at Keifer Landfill will be about \$1.6 million. Under the proposed contract the RTF would save the City approximately \$123,000 next year; however since the base rate that the discount is applied to has increased disproportionately to previous years, the overall projected cost in the Fiscal Year 2022-23 is estimated at \$2.3 million.

The discount provided during the term of the proposed contract is a fixed amount off the current rate charged to customers without a contract. The proposed contract eliminates the annual CPI adjustment that was part of the previous contract; however, the public rate schedule currently approved by the Sacramento County Board of Supervisors through 2026 includes a 3% annual increase. This equates to a 3.2% annual increase in Folsom’s discounted rate.

Kiefer - Approved Rate Schedule

Effective Date	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Public/Non-contract Rate	\$ 54.45	\$ 56.10	\$ 57.80	\$ 59.55	\$ 61.35
Annual Increase		3.0%	3.0%	3.0%	3.0%
Tier 2 Discount Rate	\$ 51.45	\$ 53.10	\$ 54.80	\$ 56.55	\$ 58.35
Annual Increase		3.2%	3.2%	3.2%	3.2%

The department was aware of the future cost increase at the time of the last rate study and the rates approved by the Folsom City Council in December 2021 support the increased cost. Funds are available in the Solid Waste Operating Fund (Fund 540) for the Fiscal Year 2022-

23 and are included in the Fiscal Year 2022-23 proposed budget. Subsequent fiscal years will be included during the annual budget process.

ENVIRONMENTAL REVIEW

This action is exempt from environmental review under the California Environmental Quality Act (CEQA) in accordance with Section 21080.

ATTACHMENT

1. Resolution 10833 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Reduced Tipping Fees for Municipal Solid Waste at Kiefer Landfill

Submitted,



Mark Rackovan, Public Works Director

RESOLUTION NO. 10833

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SACRAMENTO COUNTY FOR REDUCED TIPPING FEES FOR MUNICIPAL SOLID WASTE AT KIEFER LANDFILL

WHEREAS, the City of Folsom Waste and Recycling Division provides waste collection services for Folsom residents and businesses; and

WHEREAS, Folsom’s long term agreement with Sacramento County for disposal of waste at Kiefer Landfill will expire on June 30, 2022; and

WHEREAS, due to rising costs in the solid waste industry, Sacramento County is not willing to extend under the current agreement; and

WHEREAS, staff has negotiated a new agreement with Kiefer Landfill to continue delivering waste under a reduced tipping fee schedule; and

WHEREAS, the new agreement will have a term of three (3) years with two (2) optional one (1) year extensions upon mutual agreement of the parties; and

WHEREAS, sufficient funds are available in the Solid Waste Operating Fund (540); and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom Authorizes the City Manager to Execute an Agreement with Sacramento County for Reduced Tipping Fees for Municipal Solid Waste at Kiefer Landfill

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll-call vote:

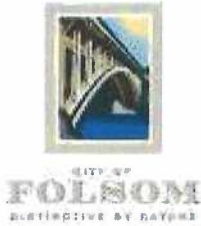
- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution 10834 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Household Hazardous Waste Collection Program Services Provided to Folsom Residents at Sacramento County Owned Facilities
FROM:	Public Works Department

RECOMMENDATION / CITY COUNCIL ACTION

The Public Works Department recommends that the City Council adopt Resolution 10834 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Household Hazardous Waste Collection Program Services Provided to Folsom Residents at Sacramento County Owned Facilities.

BACKGROUND / ISSUE

In 2007, City Council adopted Resolution No. 8065 which authorized the City Manager to execute a 15-year agreement with Sacramento County to handle and dispose of the City's municipal solid waste (MSW) at the Kiefer Landfill. This contract did not address the use of Sacramento County's Household Hazardous Waste (HHW) facilities by Folsom Residents, but the County did accept material from Folsom residents.

In 2010, City Council adopted Resolution No. 8669 which authorized the City Manager to amend the agreement with Sacramento County. Amendment number one provided reimbursement to the County for the cost of handling and disposal of HHW dropped off by Folsom residents at County facilities. The handling and disposal costs were integrated into the City's solid waste disposal fee. The contract also included a separate flat fee per load to validate Folsom residency (Verification Fee), which is invoiced annually to the City.

In 2015, City Council adopted Resolution No. 9594 which authorized the City Manager to amend the agreement for a second time. In the second amendment, the current charges for handling and disposal of City-generated HHW materials disposed at County facilities were updated to a new cost structure that incorporated time and motion studies for processing these materials. The amendment also contained a modified cost adjustment method based on year-over-year changes to the County's actual costs. Amendment number two only applied to the handling, disposal, and administrative costs for HHW items. The amendment preserved CPI-based annual adjustments to the verification fee and the disposal of municipal solid waste. The amendment specified that the annual adjustments for the combined costs for all services could not exceed three percent of the cost of the prior year's solid waste disposal fee.

In 2021, City Council adopted Resolution No. 10642 which updated the pricing table to reflect current costs and added additional materials. The methodology of recovering costs was not changed; handling and disposal was recovered through the fees collected for the disposal of MSW and the verification fee was recovered annually by a separate invoice.

The current agreement with Sacramento County expires on June 30, 2022. The County is proposing that the agreement for HHW collection services and MSW disposal be separated, and each service executed with its own agreement. This is consistent with other County contracts for their facilities.

POLICY / RULE

Section 2.36.080, Award of Contracts of the Folsom Municipal Code states in part that contracts for supplies, equipment, services, and construction with an estimated value of \$66,141 or greater shall be awarded by City Council.

Chapter 5.04, Purchasing and Contracting, of the Folsom City Charter includes in part, a provision for procurement and services and joint contracts with or through other government jurisdictions.

ANALYSIS

The proposed contract would not change the methodology for calculating the County's cost of providing HHW collection services to Folsom Residents, but it would change the way the costs are recovered. Under the current contract, the cost of HHW handling and disposal is calculated for the previous year, divided by Folsom's annual MSW tonnage and the adjustment is made to the disposal rate for each ton of MSW.

The current method of reimbursing the County for HHW services is not transparent. The costs are accounted for with MSW and they are not identified in our budget as an HHW expense. The new methodology will allow the City to account for the cost of HHW collections at County facilities more accurately.

Folsom's primary HHW service is provided by the Waste and Recycling Division's permanent household hazardous waste facility and door-to-door collection service. Per unit, the cost of processing Folsom's waste through City resources is much lower than paying the County; however, continuing to provide access to County facilities fills a gap in Folsom's program. Folsom HHW staff spend most of their time in the field collecting from residents. During this time, the City facility is closed to the public. Due to the demands of the door-to-door program, the City facility is only available by appointment and during narrow time windows for drop-off activities. Sacramento County facilities, including both Kiefer Landfill and North Area Recovery Station, operate as drop-off centers with no appointments necessary. In addition, both facilities include weekend hours which provides Folsom residents an extra level of convenience.

FINANCIAL IMPACT

Sacramento County will continue to calculate the cost to Folsom based on their actual costs to provide the service. The fee schedule will be updated annually and become effective on July 1 of each year. Under the current fee schedule, the anticipated cost for the first year is approximately \$20,000 and modest annual increases are expected. Annual increases are also incorporated into Folsom's rate structure. The calculation does not include a CPI or a specific limit to the annual increase, but it must be based on actual cost.

Funds are available in the Solid Waste Operating Fund (Fund 540) for the Fiscal Year 2022-23 and are included in the Fiscal Year 2022-23 proposed budget. Subsequent fiscal years will be included during the annual budget process.

ENVIRONMENTAL REVIEW

This action is exempt from environmental review under the California Environmental Quality Act (CEQA) in accordance with Section 21080.

ATTACHMENT

1. Resolution 10834 – A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento County for Household Hazardous Waste Collection Program Services Provided to Folsom Residents at Sacramento County Owned Facilities

Submitted,



Mark Rackovan, Public Works Director

RESOLUTION NO. 10834

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SACRAMENTO COUNTY FOR HOUSEHOLD HAZARDOUS WASTE COLLECTION PROGRAM SERVICES PROVIDED TO FOLSOM RESIDENTS AT SACRAMENTO COUNTY OWNED FACILITIES

WHEREAS, the City of Folsom Waste and Recycling Division provides household hazardous waste collection services to Folsom residents; and

WHEREAS, preventing household hazardous waste from entering the landfill and other disposal facilities protects the health and welfare of the community and the environment; and

WHEREAS, a component of Folsom’s household hazardous waste program is to provide access to Sacramento County household hazardous waste drop-off facilities at no cost to the resident; and

WHEREAS, access to County facilities is currently provided through an agreement for disposal of municipal solid waste; and

WHEREAS, the current agreement expires on June 30, 2022; and

WHEREAS, staff has negotiated a new agreement solely for the purpose of maintaining access to County household hazardous waste facilities for Folsom residents; and

WHEREAS, sufficient funds are available in the Solid Waste Operating Fund (Fund 540); and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom Authorizes the City Manager to Execute an Agreement with Sacramento County for Household Hazardous Waste Collection Program Services Provided to Folsom Residents at Sacramento County Owned Facilities.

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll-call vote:

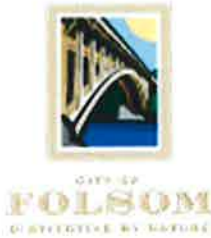
- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10836 – A Resolution Amending Resolution No. 10479 to Update the Building Valuation Data and Clarify its Use
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

The Finance Department requests that the City Council adopt Resolution No. 10836 – A Resolution Amending Resolution No. 10479 to update the Building Valuation data and clarifying its use

BACKGROUND / ISSUE

In June 2020, the Folsom City Council adopted Resolution No. 10479 which approved the update to the most recent Building Valuation Data as published by the International Code Council.

POLICY / RULE

City of Folsom Municipal Code Section 3.50.020 states, “The city manager is hereby directed to recommend to the council the adjustment of fees and charges to recover the percentage of costs reasonably borne in providing the regulation, products or services enumerated in this chapter and on the schedule of rate review as hereinafter established in this chapter. Costs reasonably borne shall be as are defined in Section 3.50.030.”

ANALYSIS

Resolution No. 10479, which was adopted by the Folsom City Council in June 2019, included a request to update the building valuation data each year to the most recent data as issued by the International Code Council. The information from the International Code Council included

the valuation table as well as other information, including a calculation example using the valuation data. The information in the example has caused some customer confusion regarding the calculation of the fees. Staff did not intend to change how the building fees were calculated only to update the valuation table. The valuation data has been used by the City for the calculation of fees for many years, staff is requesting to establish that the valuation data would be updated each year in July based on the data updated by the International Code Council, usually in February of each year. Attached to this staff report is the building valuation data as updated in February 2021. The information regarding the example calculation has been removed.

Staff is requesting the International Code Council Building Valuation Data be updated to the February 2021 data table to be effective May 1, 2022.

In July 2022 staff will update the valuation data based on information from the International Code Council with the February 2022 data table and then update the information each year in July, with the most recent data as published by the International Code Council.

FINANCIAL IMPACT

The financial impact of this change in the current fiscal year will be minimal.

ATTACHMENTS

1. Resolution No. 10836 – A Resolution Amending Resolution No. 10479 to Update the Building Valuation Data and Clarify its Use
2. February 2021 Building Valuation Data as published by the International Code Council
3. Resolution No. 10479 – A Resolution Amending Resolution No. 10297 and Enacting the Annual Inflationary Adjustment for City User Fees as of July 1, 2020, for Selected City Services

Submitted,



Stacey Tamagni, Finance Director

ATTACHMENT 1

RESOLUTION NO. 10836

A RESOLUTION AMENDING RESOLUTION NO. 10479 TO UPDATE THE BUILDING VALUATION DATA AND CLARIFY ITS USE

WHEREAS, Resolution No. 10479 was approved by the Folsom City Council in June 2020; and

WHEREAS, the International Code Council Building Valuation Data table was included as an attachment to the staff report; and

WHEREAS, the attachment has caused confusion as to how the fees based on building valuation would be calculated; and

WHEREAS, staff never intended to change how the building fees were calculated, only to provide the valuation table; and

WHEREAS, staff is requesting the International Code Council Building Valuation Data be updated to the February 2021 table as of May 1, 2022; and

WHEREAS, the building valuation data table will be updated each year in July to the most recent published International Code Council Building Valuation Data; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom Amends Resolution No. 10479 to update the Building Valuation Data and clarify its use; and

BE IT FURTHER RESOLVED that the City Council of the City of Folsom approves the update to the February 2021 Building Valuation Data effective May 1, 2022 and to update each year in July to the most recent building valuation data as published by the International Code Council

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll-call vote:

- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2

Building Valuation Data - February 2021*

Square Foot Construction Costs ^{a, b, c}

Group (2018 International Building Code)	IA	IB	IIA	IIB	IIIA	IIIB	IV	VA	VB
A-1 Assembly, theaters, with stage	263.06	254.15	247.55	237.53	223.05	216.60	229.90	207.42	199.94
A-1 Assembly, theaters, without stage	241.02	232.11	225.51	215.49	201.01	194.56	207.86	185.38	177.89
A-2 Assembly, nightclubs	205.93	199.80	194.89	186.91	176.19	171.34	180.27	159.46	154.02
A-2 Assembly, restaurants, bars, banquet halls	204.93	198.80	192.89	185.91	174.19	170.34	179.27	157.46	153.02
A-3 Assembly, churches	243.83	234.92	228.32	218.30	204.21	198.79	210.67	188.58	181.10
A-3 Assembly, general, community halls, libraries, museums	204.02	195.11	187.51	178.49	163.01	157.56	170.86	147.38	140.89
A-4 Assembly, arenas	240.02	231.11	223.51	214.49	199.01	193.56	206.86	183.38	176.89
B Business	212.46	204.72	197.90	188.18	171.81	165.32	180.77	151.15	144.35
E Educational	222.69	214.99	208.81	199.81	186.17	176.74	192.93	162.78	157.80
F-1 Factory and industrial, moderate hazard	125.58	119.68	112.86	108.68	97.37	92.83	104.02	80.23	75.34
F-2 Factory and industrial, low hazard	124.58	118.68	112.86	107.68	97.37	91.83	103.02	80.23	74.34
H-1 High Hazard, explosives	117.37	111.47	105.65	100.47	90.40	84.87	95.81	73.27	N.P.
H234 High Hazard	117.37	111.47	105.65	100.47	90.40	84.87	95.81	73.27	67.37
H-5 HPM	212.46	204.72	197.90	188.18	171.81	165.32	180.77	151.15	144.35
I-1 Institutional, supervised environment	211.58	204.34	198.27	190.28	175.02	170.20	190.53	156.95	152.25
I-2 Institutional, hospitals	355.95	348.21	341.39	331.67	314.48	N.P.	324.26	293.82	N.P.
I-2 Institutional, nursing homes	247.27	239.53	232.71	222.99	207.36	N.P.	215.58	186.70	N.P.
I-3 Institutional, restrained	241.59	233.85	227.03	217.31	202.46	194.97	209.90	181.80	173.00
I-4 Institutional, day care facilities	211.58	204.34	198.27	190.28	175.02	170.20	190.53	156.95	152.25
M Mercantile	153.55	147.41	141.50	134.53	123.48	119.63	127.88	106.75	102.31
R-1 Residential, hotels	213.59	206.35	200.28	192.29	176.78	171.95	192.54	158.70	154.00
R-2 Residential, multiple family	179.04	171.80	165.73	157.74	143.25	138.43	157.99	125.18	120.47
R-3 Residential, one- and two-family d	166.68	162.17	157.99	154.10	149.61	144.19	151.48	138.79	130.58
R-4 Residential, care/assisted living facilities	211.58	204.34	198.27	190.28	175.02	170.20	190.53	156.95	152.25
S-1 Storage, moderate hazard	116.37	110.47	103.65	99.47	88.40	83.87	94.81	71.27	66.37
S-2 Storage, low hazard	115.37	109.47	103.65	98.47	88.40	82.87	93.81	71.27	65.37
U Utility, miscellaneous	89.90	84.75	79.27	75.71	67.97	63.50	72.24	53.83	51.28

* as published by the International Code Council

- a. Private Garages use Utility, miscellaneous
- b. For shell only buildings deduct 20 percent
- c. N.P. = not permitted
- d. Unfinished basements (Group R-3) = \$23.20 per sq. ft.

ATTACHMENT 3

RESOLUTION NO. 10479

A RESOLUTION AMENDING RESOLUTION NO. 10297 AND ENACTING THE ANNUAL INFLATIONARY ADJUSTMENT FOR CITY USER FEES AS OF JULY 1, 2020, FOR SELECTED CITY SERVICES

WHEREAS, City of Folsom Municipal Code Section 3.50.020 states “The city manager is hereby directed to recommend to the council the adjustment of fees and charges to recover the percentage of costs reasonably borne in providing the regulation, products or services enumerated in this chapter and on the schedule of rate review as hereinafter established in this chapter. Costs reasonably borne shall be as are defined in Section 3.50.030.”; and

WHEREAS, Resolution No. 7815 adopted by the Folsom City Council on May 23, 2006, allowed for an annual inflationary adjustment to User Fees each fiscal year; and

WHEREAS, Resolution No. 10297 adopted by the Folsom City Council on June 11, 2019, allowed for Building Valuation Data to be updated each year as published by the International Code Council; and

WHEREAS, the annual inflationary adjustment is based on the *US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all items, San Francisco CMSA*, Annual amount as of December of the previous calendar year and as of December 31, 2019 the annual inflationary adjustment applied is 3.3%; and

WHEREAS, the Building Valuation Data will be updated to the February 2020 data as published by the International Code Council; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom Amends Resolution No. 10297 and Enacts the Annual Inflationary Adjustment for City User Fees as of July 1, 2020, for Selected City Services as set forth in the fee schedules attached hereto; and


PASSED AND ADOPTED this 23rd day of June, 2020, by the following roll-call vote:

AYES:	Council Member(s):	Howell, Kozlowski, Sheldon, Aquino
NOES:	Council Member(s):	None
ABSENT:	Council Member(s):	None
ABSTAIN:	Council Member(s):	None



 Sarah Aquino, MAYOR

ATTEST:



 Christa Freeman, CITY CLERK

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE	FEE	ANNUAL	FEE
		7/01/2019	INFLATION	7/01/2020
		Reso 10297	Annual CPI ¹	Proposed
				Base Fee (Non-Refundable Deposit)
	<u>Planning & Engineering</u>			
PE-1	Preliminary Project Review (deposit)	\$ 594	\$ 15	\$ 609
PE-2	Tentative Parcel Map Review (deposit)	\$ 5,178	\$ 127	\$ 10,260
PE-3	Tentative Subdivision Map Review (deposit)	\$6,264 + \$31/Lot	\$153 + \$1/Lot	\$6,417 + \$32/Lot
PE-4	Tentative Map Amendment Review (deposit)	\$ 8,630	\$ 211	\$ 8,841
PE-5	Final Map Amend/Cert of Correction (deposit)	\$ 2,830	\$ 69	\$ 2,899
PE-6	Tentative Map Extension Review (deposit)	\$ 3,707	\$ 91	\$ 3,798
PE-7	Site Design Review - Planning Comm. (deposit)	\$ 4,348	\$ 107	\$ 4,455
PE-7b	Site Design Review	\$ 273	\$ 7	\$ 280
PE-8	Planned Development review (deposit)	\$8,321 + \$416/acre	\$204 + \$10/acre	\$8,525 + \$426/acre
PE-9	Planned Development Mod. Review (deposit)	\$ 8,309	\$ 204	\$ 8,513
PE-10	Planned Development Ext. Review (deposit)	\$ 2,918	\$ 71	\$ 2,989
PE-11	Specific Plan Review (deposit)	\$ 5,833	\$ 143	\$ 5,976
PE-12	Specific Plan Amend. Review (deposit)	\$ 6,417	\$ 157	\$ 6,574
PE-13	Initial Environmental Study/Assmnt (deposit)	\$ 5,906	\$ 145	\$ 6,051
PE-15	Environmental Impact Review & Report	\$ 7,934	\$ 194	\$ 8,128
PE-16	Notice of CEQA determination	\$ 275	\$ 7	\$ 282
PE-18	Environmental Mitigation Prog. Monitoring	\$ 5,849	\$ 143	\$ 5,992
PE-20	Historic Dist SFD Design Rvw (deposit)	\$ 57	\$ 1	\$ 58
PE-21	H.D. Mult Fam/Comm Design Rvw (deposit)	\$ 2,005	\$ 49	\$ 2,054
PE-22	Arch Review - SFD (deposit)	\$ 57	\$ 1	\$ 58
PE-23	Arch Review - Mult Fam/Comm. (deposit)	\$ 2,005	\$ 49	\$ 2,054
PE-24	Historic Dist Sign Review (deposit)	\$ 57	\$ 1	\$ 58
PE-25	Sign Permit - Staff	\$ 117	\$ 3	\$ 120
PE-25b	Sign Permit Extension	\$ 54	\$ 1	\$ 55
PE-26	PD Permit Sign Only (deposit)	\$ 1,166	\$ 29	\$ 1,195
PE-27	Zoning Verification Review (deposit)	\$ 281	\$ 7	\$ 288
PE-28	Rezoning Request Review - 5 acres or less (deposit)	\$ 2,725	\$ 67	\$ 2,792
PE-29	Rezoning Request Review- 5+ acres (deposit)	\$ 5,442	\$ 133	\$ 5,575
PE-30	Lot Line Adj./Parcel Merger (planning) (deposit)	\$ 920	\$ 23	\$ 943
PE-31	Annexation Processing (deposit)	\$ 5,250	\$ 129	\$ 5,379
PE-32	Variance Review- SFD (deposit)	\$ 1,530	\$ 37	\$ 1,567
PE-33	Variance Review- Other (deposit)	\$ 1,530	\$ 37	\$ 1,567
PE-35	Appeal - Admin	\$ 233	\$ 6	\$ 239
PE-36	Appeal - by other (deposit)	\$ 468	\$ 11	\$ 479
PE-37	Code Amendment (deposit)	\$ 2,083	\$ 51	\$ 2,134
PE-38	General Plan Amendment <5 acres (deposit)	\$ 3,976	\$ 97	\$ 4,073
PE-39	General Plan Amendment >5 acres (deposit)	\$ 7,951	\$ 195	\$ 8,146
PE-40	Temporary Use Permit Review	\$ 59	\$ 1	\$ 60
PE-41	Conditional Use Permit Review (Major) (deposit)	\$ 5,396	\$ 132	\$ 5,528

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE	FEE 7/01/2019 Reso 10297	ANNUAL INFLATION ADJUSTMENT Annual CPI ¹	FEE 7/01/2020 Proposed Base Fee (Non-Refundable Deposit)
<u>Planning & Engineering (cont.)</u>				
PE-41b	Conditional Use Permit Review (Minor) (deposit)	\$ 2,619	\$ 64	\$ 2,683
PE-42	Conditional Use Permit Modification (deposit)	\$ 1,530	\$ 37	\$ 1,567
PE-43	Street Name Review/Change (deposit)	\$ 1,166	\$ 29	\$ 1,195
PE-44	Devl. Agreement Processing (deposit)	\$ 5,018	\$ 123	\$ 5,141
PE-45	Right of Way/ Easement Abandonment	\$ 2,335	\$ 57	\$ 2,392
PE-46	Tree Removal Pmt- Permitted Removal	\$ 36	\$ 1	\$ 37
PE-47	Tree Removal Pmt- w/o Permit	\$ 418	\$ 10	\$ 428
PE-48	Eng PC & Insp - \$1 to \$10,000	6% of first 10k	N/A	6% of first 10k
PE-49	Eng PC & Insp 1 - \$10,001-\$99,999	7% next 90k	N/A	7% next 90k
PE-50	Eng PC & Insp 1 - \$100k-\$199,999	5% next 100k	N/A	5% next 100k
PE-51	Eng PC & Insp 1 - \$200k-\$299,999	4% next 100k	N/A	4% next 100k
PE-52	Eng PC & Insp 1 - \$300k+	2% remainder	N/A	2% remainder
PE-53	Parcel Map Check	\$ 5,471	\$ 134	\$ 5,605
PE-54	Final Map Check	\$ 10,213	\$ 250	\$ 10,463
PE-55	LLA Review - Engineering	\$ 4,584	\$ 112	\$ 4,696
PE-56	Research of Eng Records (Hourly)	\$ 99	\$ 2	\$ 101
PE-57	Misc Eng Services (Hourly)	\$ 99	\$ 2	\$ 101
PE-58	Review of ROW /Easement Docs	\$ 1,271	\$ 31	\$ 1,302
PE-59	Assmt Dist/CFD Payment Processing	\$ 2,456	\$ 60	\$ 2,516
PE-60	Subdivision Agreement Processing	\$ 1,032	\$ 25	\$ 1,057
PE-61	Special Events Permit	\$ 59	\$ 1	\$ 60
PE-62a	Transportation Permits	\$ 19	\$ 0	\$ 19
PE-62b	Transportation Permits (Annual)	\$ 82	\$ 2	\$ 84
PE-63a	Encroachment Permits	\$129 + \$1.86/Sq. Ft.	\$3 + \$.05/Sq. Ft.	\$132 + \$1.91/Sq. Ft.
PE-63b	Encroachment Permit (Annual)	\$ 2,526	\$ 62	\$ 2,588
PE-64	Condominium Conversion Fee	\$ 10,871	\$ 266	\$ 11,137
PE-65	Home Occupation Permit Fee	\$ 28	\$ 1	\$ 29
PE-66	Unattended Donation Box	\$183 + \$46 Renewal	\$4 + \$1 Renewal	\$187 + \$47 Renewal
PE-67	Opinion on a Planning Matter	\$ 239	\$ 6	\$ 245
PE-68	Landmark Tree	\$ 273	\$ 7	\$ 280
PE-69	Off-Site Weekend Directional Signs	\$ 163	\$ 4	\$ 167
PE-70	Uniform Sign Program	\$ 273	\$ 7	\$ 280
PE-71	Temporary Sign Permit	\$ 10	\$ 0	\$ 10
PE-72	Non-residential Plan Check Fee (Planning)	10% of building permit fee	\$ -	10% of building permit fee
PE-73	Residential Landscape Review Fee (Custom Home)	Hourly rate of City Arborist	\$ -	Hourly rate of City Arborist
PE-74	Entertainment Permit	\$ 43	\$ 1	\$ 44
PE-75	Expedited Services Fee	1.5 X Regular Fee		1.5 X Regular Fee
PE-76	Technical Assistance / Third Party review or Inspection			Actual Cost
PE-77	Protected Tree removed or impacted within the buildable area of a residential lot (DSH-diameter per inch)			125.00 (DSH)
PE-78	Protected Tree removed or impacted (DSH-diameter per inch)			250.00 (DSH)

¹ Annual inflationary adjustment based on the *US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all items, San*
All amounts are rounded to the nearest dollar.

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE	FEE 7/01/2019 Reso 10297	ANNUAL INFLATION ADJUSTMENT Annual CPI ¹	FEE 7/01/2020 Proposed
	<u>Finance</u>			
FN-1a	Returned Check Fee - Initial	\$ 25	\$ -	\$ 25
FN-1b	Returned Check Fee - Additional	\$ 35	\$ -	\$ 35
FN-2	Lien/Delinquency Admin Fee	\$ 179	\$ -	\$ 125
FN-2a	Admin/Disconnect Fee		\$ -	\$ 75
FN-2b	Reconnect Fee - during business hours		\$ -	\$ 50
FN-2c	Reconnect Fee - after business hours		\$ -	\$ 135
FN-3	Excessive Comm. SW Acct Changes	\$ 25	\$ 1	\$ 26
FN-4	New License Review Fee	\$ 25	\$ 1	\$ 26
FN-5	License Reprint Fee	\$ 12	\$ 0	\$ 12
FN-7	Customer Business Lists - Year	\$ 18	\$ 1	\$ 19
FN-8	Customer Business Lists - 1 month	\$ 18	\$ 1	\$ 19
	Cardroom Business License Fees:			
FN-9	Application and investigation	\$ 632	\$ 21	\$ 653
FN-10	Annual License Renewal	\$ 84	\$ 3	\$ 87
FN-12	PER Table Fee per QUARTER	\$ 250	\$ 8	\$ 258
FN-13	Alternative Method of Payment	2.75% - 3%		2.75% - 3%
	<u>Police</u>			
P-1	Vehicle Release	\$ 165	\$ 5	\$ 170
P-2	Livescan	\$ 24	\$ 1	\$ 25
P-3	Alarm Permit (New)	\$ 43	\$ 1	\$ 44
P-3b	Alarm Permit (Renewal - Commercial)	\$ 16	\$ 1	\$ 17
P-4	False Alarm (2nd false alarm - infor. not updated)	\$ 91	\$ 3	\$ 94
P-4b	False Alarm (3rd false alarm)	\$ 91	\$ 3	\$ 94
P-4c	False Alarm (4th false alarm)	\$ 108	\$ 2	\$ 110
P-4d	False Alarm (5th+ false alarm)	\$ 161	\$ 4	\$ 165
P-6	Repossessions	\$ 14	\$ 0	\$ 14
P-7	VIN Verification	\$ 45	\$ 0	\$ 45
P-8	Clearance Letter-Clear	\$ 40	\$ 0	\$ 40
P-9	Vehicle Sign-Off	\$ 45	\$ 0	\$ 45
P-10	Firearms Permit	\$ 156	\$ 4	\$ 160
P-15	Adult Businesses	\$ 135	\$ 4	\$ 139
P-17	HS 11590 Registration	\$ 24	\$ 1	\$ 25
P-18	Police report copy		\$	\$ 5

¹ Annual inflationary adjustment based on the US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all items, San Francisco CMSA, Annual amount as of December of the previous calendar year.

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE	FEE 7/01/2019	ANNUAL INFLATION ADJUSTMENT	FEE 7/01/2020
		Proposed	Annual CPI ¹	Proposed
	Fire			
FR-1	California Fire Code Inspection	\$ 185	\$ 6	\$ 191
FR-2	Re-Inspection (2nd and subsequent reinspections)	\$ 228	\$ 8	\$ 236
FR-3	Fire Stand Pipe System Plan Review	bldg pmt val	bldg pmt val	bldg pmt val
FR-4	Fire Hydrant System PC	bldg pmt val	bldg pmt val	bldg pmt val
FR-5	Fire Sprinkler System Plan Review	bldg pmt val	bldg pmt val	bldg pmt val
FR-6	Fire Pump Plan Review	bldg pmt val	bldg pmt val	bldg pmt val
FR-7	Fire Alarm System Plan Review	bldg pmt val	bldg pmt val	bldg pmt val
FR-10	Fixed Fire Protection System Plan Review	bldg pmt val	bldg pmt val	bldg pmt val
FR-11	Gas System Plan Review (Medical, LPG, Compressed, etc)	bldg pmt val	bldg pmt val	bldg pmt val
FR-14	Public Fireworks Display PC	bldg pmt val		bldg pmt val
FR-15	Special Fire Inspection (after hours or by request)	\$ 247	\$ 8	\$ 255
FR-23	Safe & Sane Fireworks Stand Inspection	\$ 326	\$ 11	\$ 337
FR-24	Incident Report Copy	\$ 30	\$ 1	\$ 31
FR-26	Fire Hazard Abatement Program	\$ 153	\$ 5	\$ 158
FR-28	False Alarm (2nd false alarm - infor. not updated)	\$ 91	\$ 3	\$ 94
FR-28b	False Alarm (3rd false alarm)	\$ 91	\$ 3	\$ 94
FR-28c	False Alarm (4th false alarm)	\$ 108	\$ 4	\$ 112
FR-28d	False Alarm (5th+ false alarm)	\$ 161	\$ 5	\$ 166
FR-36	Fire Hydrant Flow Test	\$ 201	\$ 7	\$ 208
FR-39	Fire Photograph Copy	\$ 30	\$ 1	\$ 31
FR-42	Expedited Services Fee	1.5 X Reg Fee		1.5 X Reg Fee
FR-43	Technical Assistance / Third Party review or Inspection	Actual Cost		Actual Cost

¹ Annual inflationary adjustment based on the US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all items, San Francisco CMSA, Annual amount as of December of the previous calendar year.

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE	FEE 7/01/2019	ANNUAL INFLATION ADJUSTMENT Annual CPI ¹	FEE 7/01/2020 Proposed
	City Clerk			
CC-1	Agenda Mailing Service (Per Year/Subscriber)	\$ 24	\$ 0	\$ 24
CC-2a	Document Printing & Copying (per side/per page; \$1.00 minimum; no charge for 9 copies or less)	\$ 0.10	\$ 0.00	\$ 0.10
CC-3	Document Printing Pages greater than 17x14 or color copies (per side/per page)	\$ 5	\$ 0	\$ 5
CC-6	Copy Audio/Video/DVD	\$ 5	\$ 0	\$ 5
CC-8	Folsom Municipal Code	Cost to Produce	Cost to Produce	Cost to Produce
CC-9	Updates to Folsom Municipal Code	Cost to Produce	Cost to Produce	Cost to Produce
CC-10	Planning Commission Decision Appeal - Owner occupied, single family dwelling	\$ 238	\$ 8	\$ 246
CC-11	Planning Commission Decision Appeal - All others	\$ 479	\$ 16	\$ 495
CC-12	Truancy Fee (Monies paid through City Clerk)	\$ 61	\$ 2	\$ 63
CC-13	Code Enforcement Administrative Hearing	\$ 179	\$ 6	\$ 185

¹ Annual inflationary adjustment based on the *US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all items, San Francisco CMSA, Annual amount as of December of the previous calendar year.*

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE		ANNUAL INFLATION ADJUSTMENT Annual CPI ¹	FEE 7/01/2020 Proposed
	Library*			
LB-1	Adult and Teen Books and audio books - Extended Use Fee (Fine)	\$0.25/ day per item - \$5.00 max/item	**	\$0.25/ day per item - \$5.00 max/item
LB-2	High-Demand Express materials - Extended Use Fee (Fine)	\$1.00/ day per item - \$5.00 max/item	**	\$1.00/ day per item - \$5.00 max/item
LB-3	Children's books and audio books - Extended Use Fee (Fine)	\$0.05/ day per item - \$1.00 max/item	**	\$0.05/ day per item - \$1.00 max/item
LB-4	DVD's, Music CD's, and specialty kits - Extended Use Fee (Fine)	\$.25/ day per item - \$5.00 max/item	**	\$.25/ day per item - \$5.00 max/item
LB-6	Returned check fee	City standard fee (see Finance)	**	City standard fee (see Finance)
LB-7	Library card replacement	\$ 1	**	\$ 1
LB-8a	Self service copy charges - (B & W)	\$ 0.15	**	\$ 0.15
LB-8b	Self service copy charges - (Color)	\$ 0.50	**	\$ 0.50
LB-9	Hold re-shelving fee - per item	\$ 1	**	\$ 1
LB-10	Interlibrary loan/item (plus add'l lending library fees)	\$ 3	**	\$ 3
LB-11	Lost or damaged books in Folsom collection	Up to cost of item plus \$5.00 processing fee	**	Up to cost of item plus \$5.00 processing fee
LB-12	Lost or damaged materials from interlibrary loan	Up to cost of item, plus charges form lending library, plus \$5.00 local processing fee	**	Up to cost of item, plus charges form lending library, plus \$5.00 local processing fee
LB-13	Referral fee for material and fee recovery services (for accounts with billed overdue materials and total outstanding charges of \$25 or more)	\$ 10	**	\$ 10

¹ Annual inflationary adjustment based on the *US Bureau of Labor Statistics & CA Department of Finance CPI-West Urban Consumers, all Items, San Francisco CMSA, Annual amount as of December of the previous calendar year.*

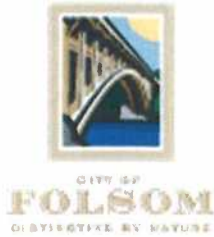
** CPI is negligible, therefore fee/fine will not change

City of Folsom
Master Fee Schedule as of July 1, 2020

#	DEPARTMENT/SERVICE
#	Parks & Recreation
PR-7	Zookeeping/Gate
PR-9	Zoo-Gift Shop
PR-10	Zoo-Education/Tours
PR-13	Aquatics - Rec/Lap Swim
PR-14	Aquatics - Swim Lessons
PR-15	Aquatics - Swim Team
PR-16	Aquatics - Aquacise
PR-17	Aquatics - Swim Camps
PR-18	Aquatics - School Parties
PR-19	Aquatics - Birthday Parties
PR-21	Aquatics - Swim Meets
PR-22	Aquatics - Rental/Spons.
PR-23	Aquatics - Concessions
PR-24	Cummings Park/Skate
PR-25	Comm Center - Resident
	Comm Center - Non-Resident
	Comm Center - FCUSD
PR-26	Rotary Clubhouse (see Comm Center)
PR-30	Park Rentals
PR-32	Youth Spec. Interest
PR-33	Cultural Classes
PR-37	Fee Based Spec Events
PR-38	Youth Day Camps
PR-39	Teens
PR-40	Cultural Svcs/Preschool
PR-42	Seniors
PR-43	Sponsorship
PR-45	Kemp Concessions
PR-46	Adult Sports
PR-47	Youth Sports
PR-48	Comm. Youth Leagues
PR-49	Sports Facility Rentals

² Parks and Recreation fees are set by the department. Cost recovery levels are set at the program level, and therefore changes are proposed during the budget process.

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10837 – A Resolution Authorizing the City Manager to Execute an Agreement with BrightView Holdings DBA BrightView Tree Care Services for Shaded Fuel Break Creation and Ladder Fuel Removal
FROM:	Parks and Recreation Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends the City Council approve Resolution No. 10837 - A Resolution Authorizing the City Manager to Execute an Agreement with BrightView Holdings DBA BrightView Tree Care Services for Shaded Fuel Break Creation and Ladder Fuel Removal.

BACKGROUND / ISSUE

The City of Folsom is responsible for the maintenance and servicing of approximately 1,100 acres of City owned open space across 70 different sites. Of that 1,100 acres, 335 acres have been identified as ladder fuel (low growth in trees) which should be removed to establish the necessary fuel breaks. Traditionally, the City has completed annual weed abatement to address seasonal grasses but has yet to implement a program to address other combustibles that exist from low growth in trees to establish defensible space to adjacent structures. This project is the first phase of a proposed 3-year program to systematically address the City owned open spaces and establish tolerances so that in subsequent years less work will be required to address ladder fuel and thus the annual, more routine work, will be more focused on the abatement of annual grasses and maintenance of adequate fuel breaks. Once completed there will be a defined separation between our developed and undeveloped areas.

POLICY / RULE

In accordance with Chapter 2.36.090 (A)(1) and 2.36.120 of the Folsom Municipal Code, professional services are not subject to competitive sealed bidding requirements, and those costing \$66,141 or greater shall be awarded by City Council.

ANALYSIS

On February 22, 2022, the Parks and Recreation Department advertised a Request for Proposal (RFP) for the creation of shaded fuel breaks and ladder fuel removal. The RFP was posted on CIPList.com as well as the City of Folsom website with responses due back to the City by 4:00 pm March 18, 2022. An internal review team was assembled of Parks and Recreation Staff. The criteria for ranking the proposals were based on the following areas: relevant experience and staffing, project understanding, price, and the ability to complete the work in the allocated time frame. In total two responses were received (BrightView DBA BrightView Tree Care Services, and West Coast Arborists) and after reviewing their responses, and compiling scores, staff concluded that BrightView DBA BrightView Tree Care Services demonstrated they were the most qualified based on the advertised scoring criteria. The total 3-year cost of the proposed services for BrightView was \$557,459.13 and the cost from West Coast Arborists was \$1,057,417.00.

FINANCIAL IMPACT

Funds are budgeted in the Fiscal Year 2021-22 General Fund (Fund 010) Operating budget in Division 3805 (Municipal Landscape) for \$37,200 and Division 3801 (Park Maintenance) for \$132,800). The initial term of the contract will be for one year and funding for subsequent years beyond Fiscal Year 2021-22 will be addressed during the annual budget process. The Fiscal Year 2021-22 contract amount for the initial term is estimated to be approximately \$170,000.

ATTACHMENT

Resolution No. 10837 - A Resolution Authorizing the City Manager to Execute an Agreement with BrightView Holdings DBA BrightView Tree Care Services for shaded fuel break creation and ladder fuel removal

Submitted,

Lorraine Poggione,
Parks & Recreation Director

RESOLUTION NO. 10837

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH BRIGHTVIEW HOLDINGS DBA BRIGHTVIEW TREE CARE SERVICES FOR SHADED FUEL BREAK CREATION AND LADDER FUEL REMOVAL

WHEREAS, the City of Folsom desires to enter into a professional services agreement for an initial period beginning June 1, 2022 through June 1, 2023, for shaded fuel break creation and ladder fuel removal; and

WHEREAS, the City of Folsom can, at its discretion based on successful completion of the initial agreement, extend the contract for up to two additional one-year extensions; and

WHEREAS, proposals were solicited in accordance with Folsom Municipal Code Section 2.36.100 and advertised on February 2, 2022; and

WHEREAS, BrightView Holdings DBA BrightView Tree Care Services was the most qualified contractor; and

WHEREAS, the estimate for the initial term of the agreement will be \$170,000; and

WHEREAS, funds are budgeted in the amount of \$170,000 in the Fiscal Year 2021-22 budget in the General Fund (Fund 010); and

WHEREAS, the agreement will be in a form acceptable to the City Attorney; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute an Agreement with BrightView Holdings DBA BrightView Tree Care Services for Shaded Fuel Break Creation and Ladder Fuel Removal.

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll-call vote:

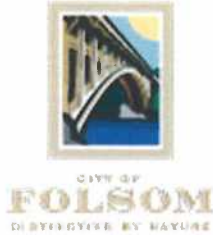
- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Joint Meeting Public Hearing
SUBJECT:	Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

It is recommended that the City Council adopt the following resolution:

Resolution No. 10835 - A Resolution of the City Council of the City of Folsom Authorizing the Issuance of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022, the Execution of a First Supplemental Indenture Providing therefor, Authorizing the Execution of a Local Obligation Purchase Contract, and Authorizing Necessary Actions and the Execution of Other Documents in Connection therewith

It is recommended the Governing Board of the Authority adopt the following resolution:

Resolution No. 008-Folsom Ranch FA - A Resolution of the Governing Board of the Folsom Ranch Financing Authority Authorizing the Issuance, Sale and Delivery of Not to Exceed \$17,000,000 Aggregate Principal Amount of City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022; Approving the Form and Substance of a Trust Agreement, Authorizing Modifications thereof and Execution and Delivery as Modified; Approving a Preliminary Official Statement, Authorizing Changes thereto and Execution and Delivery thereof and of an Official Statement to be Derived therefrom; Approving a Local Obligation Purchase Contract and a Bond Purchase Contract and Execution and Delivery of Each; and Authorizing Related Actions Necessary to Implement the Proposed Financing.

BACKGROUND / ISSUE

Community Facilities District No. 23 (Folsom Ranch) (CFD No. 23) is a community facilities district organized by the City Council under the Mello-Roos Act for the purpose of providing for the construction and acquisition of certain public improvements and the financing of certain services to serve property within CFD No. 23. The City established CFD No. 23 on May 26, 2020 and designated six separate improvement areas at that time, including Improvement Area 1. Improvement Area 1 consists of a gross area of approximately 205 acres and is located wholly within the City of Folsom, east of East Bidwell Street, west of Placerville Road, north of Mangini Parkway, and south of U.S. Highway 50.

Development within Improvement Area 1 is planned to include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units, for a total of 928 units. Property within Improvement Area 1 is in varying stages of development, including partially-improved lots, improved lots, homes under construction and completed homes, and it is anticipated that development will be completed in three main phases: Phase 2A, Phase 2B and Phase 2C. Phase 2A of development within Improvement Area 1 includes Villages 4, 7, 8 and 10 and Lots C and D and is entitled for a total of 560 units at the time of full build-out, comprised of 73 single-family high density units, 222 multi-family low density units and 265 multi-family high density units. Phase 2B of development includes Villages 1 and 2 and is entitled for a total of 162 single-family high density units at the time of full build-out. Phase 2C of development includes Villages 3, 5 and 6 and is entitled for a total of 206 single-family high density units at the time of full build-out.

The cost to construct all the facilities necessary to service property within Improvement Area 1 is estimated at approximately \$103,978,446 and is comprised of backbone infrastructure, soft costs and subdivision infrastructure. Backbone facilities infrastructure improvements for Improvement Area 1 are expected to include transportation improvements, water system improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, and park, parkway and open space improvements. Subdivision infrastructure improvements for development of Improvement Area 1 includes intract infrastructure such as underground utilities, subdivision roadways, street lighting, soundwalls and landscaping improvements. The tables below summarize the budgeted construction costs for each phase of development within Improvement Area 1.

Phase 2A Budgeted Construction Costs		
Description		Costs
Common Infrastructure	\$	11,550,788
Grading and Backbone		12,792,546
Subdivision Improvements		17,563,853
Soft Costs		4,232,732
Total Construction Costs	\$	46,139,918

Phase 2B Budgeted Construction Costs		
Description		Costs
Grading and Backbone	\$	7,347,462
Subdivision Improvements		12,641,188
Soft Costs		1,606,000
Total Construction Costs	\$	21,594,650

Phase 2C Budgeted Construction Costs		
Description		Costs
Grading and Backbone	\$	13,162,068
Subdivision Improvements		18,130,000
Soft Costs		4,951,810
Total Construction Costs	\$	36,243,878

Notice of this public hearing was published in the Folsom Telegraph on April 7, 2022.

POLICY / RULE

Resolution No. 9282 – A Resolution of the City Council of the City of Folsom Approving Goals and Policies for Community Facilities Districts

Chapter 3.110, “Community Facilities Financing”, of the Folsom Municipal Code

Mello-Roos Community Facilities Act of 1982

Marks-Roos Local Bond Pooling Act of 1985

ANALYSIS

The Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area 1 Special Tax Revenue Bonds, Series 2022 (Series 2022 Revenue Bonds) are being issued by the Folsom Ranch Financing Authority (FRFA) in a not to exceed amount of \$17,000,000 to finance the purchase of the limited obligation special tax bonds (Local Obligations), issued by CFD No. 23 (Folsom Ranch). The purchase price of the Local Obligations will be used to finance the acquisition and construction of certain public facilities, fund a debt service reserve account, fund capitalized interest to September 1, 2022, and pay certain costs of issuance of the Local Obligations and Series 2022 Revenue Bonds.

A special tax will be levied and collected annually to service the Local Obligations. Every year, CFD 23 shall determine the annual special tax requirement relating to Improvement Area 1. The annual special tax requirement is that amount of special tax revenue required in any fiscal year for Improvement Area 1 to:

- Pay administrative expenses
- Pay annual debt service on all outstanding bonds for Improvement Area 1
- Pay other periodic costs on outstanding bonds, including credit enhancement or rebate payments, if applicable
- Pay any amounts required to replenish the reserve fund
- Pay for reasonably anticipated delinquent special taxes
- Fund Improvement Area 1 PAYGO costs
- Pay for authorized services
- Pay other associated costs as listed in the Rate and Method of Apportionment

The special tax shall be levied each fiscal year proportionately on each Sacramento County assessor's parcel of taxable property within Improvement Area 1 at a rate up to 100% of the applicable maximum special tax to satisfy the annual special tax requirement. As of the most current appraisal, the appraised value for the property within Improvement Area 1 is \$183,319,655 and the value-to-lien ratio is 5.9:1, which is in compliance with the City's CFD policy. The total projected residential property tax level for both developed single-family high-density property and developed multi-family low-density property within CFD No. 23 Improvement Area 1 is approximately 1.92% and approximately 1.93%, respectively, and shall not exceed 2.0% of the estimated sales price of the respective homes to be constructed in Improvement Area 1.

Upon the conclusion of the noticed public hearing, and by adopting the proposed City Council Resolution, the City Council is taking the following actions in connection with the Local Obligations:

1. Determining that there are significant public benefits to the City from the proposed financing and approving the Series 2022 Revenue Bonds
2. Authorizing the issuance of an aggregate principal amount of not to exceed \$17,000,000 in Local Obligations
3. Approving the form and substance and the execution and delivery of the First Supplemental Indenture with U.S. Bank Trust Company, National Association
4. Approving the form and substance and the execution and delivery of the Continuing Disclosure Certificate
5. Approving the form and substance and delivery of the Preliminary Official Statement, and authorizing the preparation, delivery and execution of a final Official Statement
6. Approving the form and substance and execution and delivery of the Local Obligation Purchase Contract
7. Approving the form and substance and execution and delivery of the Trust Agreement

8. Authorizing the officers of the City to execute any and all documents and instruments, for and on behalf of the City and/or CFD No. 23, to carry out the issuance of the Local Obligations

By adopting the proposed FRFA Resolution, the Governing Board is taking the following actions in connection with the Series 2022 Revenue Bonds:

1. Authorizing the issuance of an aggregate principal amount of not to exceed \$17,000,000 in Series 2022 Revenue Bonds
2. Approving the form and substance and execution and delivery of the Trust Agreement
3. Approving the form and substance and execution and delivery of the Local Obligation Purchase Contract
4. Approving the form and substance and execution and delivery of the Bond Purchase Contract
5. Approving the form and substance of the Preliminary Official Statement authorizing the Treasurer to determine when said Preliminary Official Statement is final, and authorizing the distribution of both the Preliminary Official Statement and the Official Statement to be distributed by the Underwriter.
6. Authorizing the officers of the FRFA to execute and deliver any and all documents, and to do any and all things deemed necessary to comply with the terms and intent of this resolution.

Other documents included as exhibits to this staff report include:

- Preliminary Official Statement
- Trust Agreement
- First Supplemental Indenture
- Local Obligation Purchase Contract
- Bond Purchase Agreement
- Continuing Disclosure Certificate
- Good Faith Estimates

The City has engaged the following consultants to assist in the issuance of these Series 2022 Revenue Bonds:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
 Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP
 Tax Consultant: NBS
 Financial Advisor: Fieldman, Rolapp & Associates, Inc.
 Trustee: U.S. Bank Trust Company, National Association

FINANCIAL IMPACT

There is no discernable financial impact on the City of Folsom. The CFD No. 23 formation, bonded indebtedness, and expenses, including those for Improvement Area 1, are solely the

responsibility of CFD No. 23. The City will receive reimbursement from the issuance of the Series 2022 Revenue Bonds for staff time and expenses and will receive an annual administrative fee throughout the term of CFD No. 23; these amounts are intended to offset expenses incurred by the City for administration and other items.

ENVIRONMENTAL REVIEW

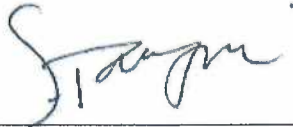
On February 13, 2018, the City Council approved the Mangini Ranch Phase 2 Vesting Tentative Subdivision Map and determined that the Mangini Ranch Phase 2 Subdivision project is entirely consistent with the Folsom Plan Area Specific Plan (FPASP) and Westland Eagle Specific Plan Amendment and therefore exempt from review under the California Environmental Quality Act (CEQA) provided by Government Code section 65457 and CEQA Guidelines sections 15182. No additional environmental review is required.

ATTACHMENTS

1. Resolution No. 10835 - A Resolution of the City Council of the City of Folsom Authorizing the Issuance of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022, the Execution of a First Supplemental Indenture Providing therefor, Authorizing the Execution of a Local Obligation Purchase Contract, and Authorizing Necessary Actions and the Execution of Other Documents in Connection therewith
2. Resolution No. 008-Folsom Ranch FA - A Resolution of the Governing Board of the Folsom Ranch Financing Authority Authorizing the Issuance, Sale and Delivery of Not to Exceed \$17,000,000 Aggregate Principal Amount of City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022; Approving the Form and Substance of a Trust Agreement, Authorizing Modifications thereof and Execution and Delivery as Modified; Approving a Preliminary Official Statement, Authorizing Changes thereto and Execution and Delivery thereof and of an Official Statement to be Derived therefrom; Approving a Local Obligation Purchase Contract and a Bond Purchase Contract and Execution and Delivery of Each; and Authorizing Related Actions Necessary to Implement the Proposed Financing.
3. Trust Agreement by and among the Folsom Ranch Financing Authority and the City of Folsom Community Facilities District No. 23 (Folsom Ranch) and U.S. Bank Trust Company, National Association, as Trustee
4. First Supplemental Indenture between the City of Folsom Community Facilities District No. 23 (Folsom Ranch) and U.S. Bank Trust Company, National Association, as Trustee
5. Preliminary Official Statement for the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022

6. Local Obligation Purchase Contract for the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 between the Folsom Ranch Financing Authority and the City of Folsom Community Facilities District No. 23 (Folsom Ranch)
7. Bond Purchase Agreement for the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 between the Folsom Ranch Financing Authority and Piper Sandler & Co.
8. Continuing Disclosure Certificate
9. Good Faith Estimates for the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 and the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022

Submitted,



Stacey Tamagni
Finance Director
Treasurer of the Folsom Ranch Financing Authority

ATTACHMENT 1

RESOLUTION NO. 10835

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM
AUTHORIZING THE ISSUANCE OF THE CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23 (FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2022, THE EXECUTION OF A FIRST
SUPPLEMENTAL INDENTURE PROVIDING THEREFOR, AUTHORIZING THE
EXECUTION OF A LOCAL OBLIGATION PURCHASE CONTRACT, AND
AUTHORIZING NECESSARY ACTIONS AND THE EXECUTION OF OTHER
DOCUMENTS IN CONNECTION THEREWITH**

WHEREAS, the City Council (the “City Council”) of the City of Folsom (the “City”) has formed the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”) and designated various improvement areas therein, including Improvement Area No. 1 (the “Improvement Area”), under the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”); and

WHEREAS, the Community Facilities District is authorized under the Act to levy special taxes within the Improvement Area (the “Special Taxes”) to pay the costs of certain public facilities (the “Facilities”) and to issue bonds payable from the Special Taxes; and

WHEREAS, in order to provide funds to finance certain of the Facilities (the “Project”), the Community Facilities District proposes to issue not to exceed \$17,000,000 principal amount of its City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 (the “Local Obligations”); and

WHEREAS, the Folsom Ranch Financing Authority (the “Authority”) has agreed to purchase the Local Obligations pursuant to a Local Obligation Purchase Contract (the “Local Obligation Purchase Contract”) between the Authority and the Community Facilities District with a portion of the proceeds of the Authority’s City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Authority Bonds”); and

WHEREAS, the City Council has determined in accordance with Government Code Section 53360.4 that a negotiated sale of the Local Obligations to the Authority in accordance with the terms of the Local Obligation Purchase Contract will result in a lower overall cost to the Community Facilities District than a public sale; and

WHEREAS, there has been submitted to the City Clerk of the City (the “City Clerk”) a form of First Supplemental Indenture (the “First Supplemental Indenture”), between the Community Facilities District and U.S. Bank Trust Company, National Association, as trustee, supplementing and amending that certain Indenture, dated as of October 1, 2020 (as supplemented by the First Supplemental Indenture, the “Indenture”), between the Community Facilities District and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as successor to MUFG Union Bank, N.A., each as trustee, providing for the issuance of the Local Obligations and a form of Local Obligation Purchase Contract providing for the sale of the Local Obligations to the Authority; and

WHEREAS, there has been submitted to the City Clerk a form of Trust Agreement (the “Trust Agreement”), among the Authority, the Community Facilities District and U.S. Bank Trust Company, National Association, as trustee, providing for the issuance of the Authority Bonds; and

WHEREAS, the Authority has authorized the sale of the Authority Bonds to Piper Sandler & Co., as underwriter (the “Underwriter”), with the net proceeds of sale thereof to be utilized to purchase the Local Obligations from the Community Facilities District; and

WHEREAS, the Community Facilities District desires to assist the Underwriter in its compliance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”); and

WHEREAS, the form of a Preliminary Official Statement (the “Preliminary Official Statement”) to be used in connection with the offering and sale of the Authority Bonds has been prepared and is on file with the City Clerk; and

WHEREAS, there have been prepared and submitted to the City Council for consideration at this meeting the forms of:

- (a) the Trust Agreement;
- (b) the First Supplemental Indenture;
- (c) the Local Obligation Purchase Contract;
- (d) the Continuing Disclosure Certificate; and
- (e) the Preliminary Official Statement; and

WHEREAS, the City Council has considered the evidence of the public benefits to the Community Facilities District of the proposed financing and is fully advised in the premises; and

WHEREAS, the Community Facilities District desires to proceed to issue and sell the Local Obligations and to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of the Local Obligations; and

WHEREAS, on this date, the City held a public hearing on the financing of the Project in accordance with Section 6586.5 of Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Marks-Roos Act”); and

WHEREAS, in accordance with Section 6586.5 of the Marks-Roos Act, notice of such hearing was published once at least five days prior to the hearing in the *Folsom Telegraph*, a newspaper of general circulation in the City; and

WHEREAS, Government Code Section 5852.1 requires that the City Council obtain from an underwriter, financial adviser or private lender and disclose, prior to authorization of the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in compliance with Government Code Section 5852.1, the City Council has obtained from Fieldman, Rolapp & Associates, Inc., the municipal adviser to the Community Facilities District, the required good faith estimates and such estimates have been disclosed at this meeting; and

WHEREAS, the City Council is the legislative body of the Community Facilities District;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom, as follows:

Section 1. The foregoing recitals are true and correct, and the City Council so finds and determines.

Section 2. The City Council, on behalf of the City, hereby approves the issuance of the Authority Bonds to finance the Project and finds that the use of the Marks-Roos Act to assist the Community Facilities District in financing the Project will result in significant public benefits to the citizens of the City, including more efficient delivery of local agency services to residential and commercial development.

Section 3. Subject to the conditions described in Section 8, the issuance of the Local Obligations in an aggregate principal amount not to exceed \$17,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Local Obligations shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to redemption, shall be issued in the form, and shall be as otherwise provided in the Indenture.

Section 4. The form of the First Supplemental Indenture providing for the issuance of the Local Obligations, on file with the City Clerk, is hereby approved, and the City Manager of the City (the "City Manager"), the Finance Director of the City (the "Finance Director") and the Chief Financial Officer of the City (the "Chief Financial Officer") and such other officers of the City as the City Manager, the Finance Director or the Chief Financial Officer shall designate (each an "Authorized Officer" and collectively, the "Authorized Officers") are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the Community Facilities District, to execute and deliver the First Supplemental Indenture in substantially said form, with such changes therein as may be approved by the City Attorney of the City (the "City Attorney"), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form of the Continuing Disclosure Certificate, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Community Facilities District, to execute and deliver the Continuing Disclosure Certificate in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Certificate by such Authorized Officer.

Section 6. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Authority Bonds is hereby authorized and approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Community Facilities District, to certify to the Underwriter that the Preliminary Official Statement has been “deemed final” for purposes of Rule 15c2-12.

Section 7. The preparation and delivery of a final Official Statement (the “Official Statement”), and its use in connection with the offering and sale of the Authority Bonds is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are, and each of them is, hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the Community Facilities District.

Section 8. The form of the Local Obligation Purchase Contract providing for the sale of the Local Obligations to the Authority, on file with the City Clerk, is hereby approved, and the Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Community Facilities District, to execute and deliver the Local Obligation Purchase Contract in substantially said form, with such changes therein as may be approved by the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the final maturity of the Local Obligations shall be no later than September 1, 2052, the principal amount of the Local Obligations shall not exceed seventeen million dollars (\$17,000,000) and the true interest cost (taking into consideration the associated underwriter’s discount and any original issue premium or discount relating to the Authority Bonds) of the Local Obligations shall not exceed five and one half percent (5.5%).

Section 9. The form of the Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Community Facilities District, to execute and deliver the Trust Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Trust Agreement by such Authorized Officer.

Section 10. Pursuant to Section 53345.8 of the Act and the City’s Local Goals and Policies, the City Council hereby finds and determines that the value of the real property that would be subject to the Special Taxes to pay debt service on the Local Obligations will be at least three (3) times the principal amount of the Local Obligations to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within the Improvement Area or a special assessment levied on property within the Improvement Area. The City Council determines in its sole discretion that it is necessary and desirable to waive certain of its Local Goals and Policies to the extent the issuance of the Local Obligations does not conform thereto.

Section 11. The officers of the City are hereby authorized and directed, jointly and severally, for and on behalf of the City and/or the Community Facilities District to do any and all things that they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, including any subsequent amendments, waivers or consents entered into or given in accordance with any of the documents approved hereby. The City Manager, the Finance Director, the Chief Financial Officer, the City Clerk and the officers of the City are hereby authorized and directed to execute and deliver, for and on behalf of the City and/or the Community Facilities District, any and all certificates and representations necessary and desirable to accomplish the transactions set forth above.

Section 12. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll call vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

ABSENT: Councilmember(s):

ABSTAIN: Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2

RESOLUTION NO. 008-FOLSOM RANCH FA

RESOLUTION OF THE GOVERNING BOARD OF THE FOLSOM RANCH FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$17,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23 (FOLSOM RANCH) IMPROVEMENT AREA NO. 1 SPECIAL TAX REVENUE BONDS, SERIES 2022; APPROVING THE FORM AND SUBSTANCE OF A TRUST AGREEMENT, AUTHORIZING MODIFICATIONS THEREOF AND EXECUTION AND DELIVERY AS MODIFIED; APPROVING A PRELIMINARY OFFICIAL STATEMENT, AUTHORIZING CHANGES THERETO AND EXECUTION AND DELIVERY THEREOF AND OF AN OFFICIAL STATEMENT TO BE DERIVED THEREFROM; APPROVING A LOCAL OBLIGATION PURCHASE CONTRACT AND A BOND PURCHASE CONTRACT AND EXECUTION AND DELIVERY OF EACH; AND AUTHORIZING RELATED ACTIONS NECESSARY TO IMPLEMENT THE PROPOSED FINANCING

WHEREAS, the Folsom Ranch Financing Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”); and

WHEREAS, the City Council (the “City Council”) of the City of Folsom (the “City”) has formed the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”) and designated various improvement areas therein, including Improvement Area No. 1, under the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”); and

WHEREAS, the Community Facilities District has completed its legal proceedings under the Act with respect to authorizing the issuance and sale of the “City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022” (the “Local Obligations”) for the purpose of financing certain public facilities within the City south of Highway 50;

WHEREAS, the Community Facilities District is empowered under the provisions of the Act to undertake legal proceedings for the levy of a special tax and for the issuance, sale and delivery of special tax bonds upon the security of the recorded special tax liens; and

WHEREAS, the Authority is empowered under the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “Law”) to issue its bonds for the purpose of purchasing various local obligations issued by certain local agencies and applying the proceeds of the bonds to finance certain authorized public facilities; and

WHEREAS, the Authority desires to issue the “Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022” (the “Bonds”) pursuant to that certain Trust Agreement (the “Trust Agreement”), among the Authority, the Community Facilities District and

U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), in order to provide funds to purchase the Local Obligations; and

WHEREAS, the Authority has determined that the estimated amount necessary to finance the purchase of the Local Obligations will require the issuance of the Bonds in the aggregate principal amount not to exceed seventeen million dollars (\$17,000,000); and

WHEREAS, the Authority and the Community Facilities District have determined that all things necessary to make the Bonds, when authenticated by the Trustee, and issued as provided in the Trust Agreement, the valid, binding and legal obligations of the Authority according to the import thereof and hereof have been done and performed; and

WHEREAS, in furtherance of implementing the financing, there have been filed with the Authority Secretary for consideration and approval by this Board forms of the following:

- (a) a Trust Agreement, under the terms of which the Bonds are to be issued and the Revenues (as said term is defined in the Trust Agreement and as said Revenues are received by the Authority as holder of the Local Obligations) are to be administered to pay the principal of and interest on the Bonds;
- (b) a Local Obligation Purchase Contract, under the terms of which, among other things, the Community Facilities District agrees to sell and the Authority agrees to purchase the Local Obligations;
- (c) a Bond Purchase Contract, under the terms of which, among other things, the Authority agrees to sell and the underwriter agrees to purchase the Bonds; and
- (d) a Preliminary Official Statement, describing the Bonds and the Local Obligations; and

WHEREAS, Government Code Section 5852.1 requires that the Governing Board of the Authority obtain from an underwriter, financial adviser or private lender and disclose, prior to authorization of the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in compliance with Government Code Section 5852.1, the Governing Board of the Authority has obtained from Fieldman, Rolapp & Associates, Inc., municipal adviser to the Authority, the required good faith estimates and such estimates have been disclosed at this meeting; and

WHEREAS, being fully advised in the matter of the proposed financing program, this Board wishes to proceed with implementation of said financing program; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize the execution and delivery of certain documents in order to further implement the financing in the manner and upon the terms herein provided; and

WHEREAS, as required by the Law, the City has conducted a public hearing and has determined that the issuance of the Bonds by the Authority and the acquisition of the Local Obligations will result in significant public benefits, including more efficient delivery of local agency services to residential and commercial development.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Folsom Ranch Financing Authority as follows:

Section 1. The foregoing recitals are true and correct, and this Board so finds and determines.

Section 2. Pursuant to the Law, the Bonds shall be issued in the aggregate principal amount of not to exceed seventeen million dollars (\$17,000,000). No Bond shall mature later than September 1, 2052.

Section 3. The form and substance of the Trust Agreement are hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form and substance of the Local Obligation Purchase Contract is hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Local Obligation Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form and substance of the Bond Purchase Contract is hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the true interest cost of the Bonds shall not exceed five and one half percent (5.5%) and the underwriter's discount (exclusive of original issue discount) shall not exceed one and one half percent (1.50%).

Section 6. (a) The form and substance of the Preliminary Official Statement is hereby approved. The Treasurer of the Authority or designee thereof is authorized to execute the final Official Statement to be derived therefrom.

(b) This Board hereby authorizes the Treasurer of the Authority or designee thereof to find and determine that said Preliminary Official Statement in preliminary form is, and as of its date shall be deemed “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission, and the Treasurer of the Authority or designee thereof is hereby authorized to execute a certificate to such effect in the customary form.

(c) The Treasurer of the Authority or designee is authorized to approve corrections and additions to the Preliminary Official Statement by supplement or amendment thereto, by appropriate insertions, or otherwise as appropriate, provided that such corrections or additions shall be regarded by such officer as necessary to cause the information contained therein to conform to facts material to the Bonds or the Local Obligations or to the proceedings of this Board or the City Council or that such corrections or additions are in form rather than in substance.

(d) The underwriter of the Bonds is authorized to distribute said Preliminary Official Statement and the final Official Statement to be derived therefrom in connection with the sale and delivery of the Bonds.

Section 7. The officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including any agency agreement, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, including any subsequent amendments, waivers or consents entered into or given in accordance with any of the documents approved hereby, and to obtain a policy of bond insurance, a rating and/or a reserve fund surety policy for any series of the Bonds. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 8. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 12th day of April, 2022, by the following roll call vote:

AYES: Board Member(s):

NOES: Board Member(s):

ABSENT: Board Member(s):

ABSTAIN: Board Member(s):

Kerri M. Howell, CHAIR

ATTEST:

Christa Freemantle, SECRETARY

ATTACHMENT 3

TRUST AGREEMENT

by and among the

FOLSOM RANCH FINANCING AUTHORITY

and the

CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Relating to the

\$_[]
FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT
NO. 23 (FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS,
SERIES 2022

Dated as of May 1, 2022

TRUST AGREEMENT

This Trust Agreement (the “Trust Agreement”), dated as of May 1, 2022, by and among the Folsom Ranch Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), the City of Folsom Community Facilities District No. 23 (Folsom Ranch), organized and existing under and by virtue of the laws of the State of California (the “Community Facilities District”) and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority is empowered under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, being Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “Law”), to issue its bonds for the purpose of purchasing various Local Obligations (as defined herein) issued by certain local agencies; and

WHEREAS, the Authority has determined to issue its Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Authority Bonds”) to be secured by a pledge, lien and claim upon the Revenues (as that term is defined herein) in order to provide a portion of the funds necessary to purchase the Local Obligations (as that term is defined herein); and

WHEREAS, the Authority and the Community Facilities District have determined that all things necessary to make the Authority Bonds (as that term is defined herein), when issued by the Authority and authenticated by the Trustee and delivered as provided herein, valid, binding and legal obligations of the Authority according to the import thereof and hereof have been done and performed; and

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Authority Bonds Outstanding (as that term is defined herein) hereunder from time to time according to their tenor and effect, and the making of such other payments required to be made by the Authority and the satisfaction of all the agreements, conditions, covenants and terms expressed and implied herein and in the Authority Bonds, the Authority does hereby assign, bargain, convey, grant, mortgage and pledge a security interest unto the Trustee and unto its successors and assigns hereunder forever in all right, title and interest of the Authority in, to and under, subject to the provisions hereof permitting the application thereof for the purposes and on the terms and conditions set forth therein, each and all of the following (collectively, the “Trust Estate”):

- (a) the proceeds of sale of the Authority Bonds;
- (b) the Revenues (as that term is defined herein);

(c) the amounts in the Funds (as that term is defined herein) established and held hereunder, except amounts in the Rebate Fund; and

(d) the Local Obligations;

TO HAVE AND TO HOLD IN TRUST all of the same hereby assigned, bargained, conveyed, granted, mortgaged and pledged or agreed or intended so to be to the Trustee and to its successors and assigns forever for the equal and ratable benefit of the Owner issued by the Authority hereunder and authenticated by the Trustee and delivered hereunder and Outstanding hereunder, without any priority as to the Trust Estate of any one Authority Bond over any other (except as expressly provided in or permitted hereby), upon the trusts and subject to the agreements, conditions, covenants and terms hereinafter set forth;

AND THIS TRUST AGREEMENT FURTHER WITNESSETH, and it is expressly declared, that all Authority Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the rights and property hereby assigned, bargained, conveyed, granted, mortgaged and pledged are to be dealt with and disposed of under, upon and subject to the agreements, conditions, covenants, terms, trusts and uses as hereinafter expressed, and the Authority and the Community Facilities District have agreed and covenanted, and do hereby agree and covenant, with the Trustee and with the Owner, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms set forth below shall have the following meanings set forth herein, unless the context clearly otherwise requires:

“Act” shall mean the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 *et seq.* of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

“Authority” shall mean the Folsom Ranch Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California, and its successors and assigns.

“Authority Bond” or “Authority Bonds” shall mean the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022. “Serial Authority Bonds” shall mean the Authority Bonds for which no Minimum Sinking Fund Payments are provided. “Term Authority Bonds” shall mean the Authority Bonds which are payable on or before their specified maturity date from Minimum Sinking Fund Payments established for that purpose and calculated to retire such Authority Bonds on or before their specified maturity date.

“Authorized Denominations” shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of the Authority Bonds maturing on any one date.

“Authorized Officer” shall mean, when used with reference to the Authority, the Chair, the Treasurer or any other person authorized by the Authority in a Written Order or resolution to perform an act or sign a document on behalf of the Authority for the purposes hereof, and when used with reference to the Community Facilities District and the City, acting for and on behalf of the Community Facilities District, the Mayor, the Chief Financial Officer, the Finance Director or any other person authorized by the City or the Community Facilities District, as applicable, in a Written Order or resolution to perform an act or sign a document on behalf of the City or the Community Facilities District for the purposes hereof.

“Bond Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Register” shall mean the registration books specified as such in Section 2.05.

“Bond Year” shall mean the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution and initial delivery of the Authority Bonds and end on September 1, 2022.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks in New York, New York, or the city in which the Corporate Trust Office of the Trustee is located, are closed.

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” shall mean a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Authority Bonds, appointed and paid by the Community Facilities District or the Authority and who, or each of whom:

(1) is in fact independent and not under the domination of the Community Facilities District, the Authority or the City;

(2) does not have any substantial interest, direct or indirect, with the Community Facilities District, the Authority or the City; and

(3) is not connected with the Community Facilities District, the Authority or the City as a member, officer or employee of the Community Facilities District, the Authority or the City, but who may be regularly retained to make annual or other reports to the Community Facilities District, the Authority or the City.

The Cash Flow Consultant shall not, as a result of its role as Cash Flow Consultant, be deemed to have a “financial advisory relationship” with the Authority within the meaning of California Government Code Section 53590(c).

“Chair” shall mean the Chair of the Authority.

“Chief Financial Officer” shall mean the Chief Financial Officer of the City.

“City” shall mean the City of Folsom, a charter city and municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California, and its successors.

“City Manager” shall mean the City Manager of the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“Community Facilities District” shall mean the City of Folsom Community Facilities District No. 23 (Folsom Ranch), established by the City pursuant to the Act.

“Corporate Trust Office” shall mean the designated corporate trust office of the Trustee at the location set forth in Section 13.03.

“Dated Date” shall mean the applicable date of the original execution and delivery of the Authority Bonds.

“DTC” shall mean The Depository Trust Company, in New York, New York; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depository as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Event of Default” shall mean an event of default specified as such in Section 8.01.

“Finance Director” shall mean the Finance Director of the City.

“Fund” or “Funds” shall mean any or all, as the case may be, of the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligations Fund and the Rebate Fund, including all accounts therein.

“Government Obligations” shall mean any Investment Securities described in clause (i) or clause (ii) of the definition thereof but excluding any securities that are callable or prepayable prior to the redemption or maturity date of the Authority Bonds to be paid therefrom, and excluding any securities that do not have a fixed par value or the terms of which do not promise a fixed dollar amount at maturity or earlier call date.

“Improvement Area” means Improvement Area No. 1 of the Community Facilities District.

“Indenture Trustee” means U.S. Bank Trust Company, National Association, as successor trustee under the Local Obligations Indenture.

“Interest Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Interest Payment Date” shall mean March 1 and September 1 in each year, commencing on [September 1, 2022].

“Investment Securities” shall mean and include any of the following securities, to the extent permitted by the laws of the State and the City’s Investment Policy, for and on behalf of the Community Facilities District as it may be amended from time to time:

(i) Cash (insured at all times by the Federal Deposit Insurance Corporation or fully collateralized by Investment Securities described in clause (ii) hereof);

(ii) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

- (A) All direct or fully guaranteed U.S. Treasury obligations;
- (B) Farmers Home Administration;
- (C) General Services Administration;
- (D) Guaranteed Title XI financing;
- (E) Government National Mortgage Association (GNMA); and
- (F) U.S. Treasury - State and Local Government Series;

(iii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- (A) Export-Import Bank;
- (B) Rural Economic Community Development Administration;
- (C) U.S. Maritime Administration;
- (D) Small Business Administration;
- (E) U.S. Department of Housing & Urban Development (PHAs);
- (F) Federal Housing Administration; and
- (G) Federal Financing Bank;

(iv) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- (A) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

- (B) Obligations of the Resolution Funding Corporation (REFCORP);
 - (C) Senior debt obligations of the Federal Home Loan Bank System;
- and

- (D) Senior debt obligations of other Government Sponsored Agencies;

(v) U.S. Dollar-denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (provided that ratings on holding companies shall not be considered the rating of the bank) or fully collateralized by Investment Securities described in clause (ii) hereof for amounts in excess of deposit insurance;

(vi) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(vii) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or an affiliate provides investment management or other services but excluding funds with a floating net asset value;

(viii) "Pre-refunded Municipal Obligations," defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or (B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (ii) of this definition, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(ix) Any bonds or other obligations of any agency, instrumentality or local governmental unit of any state of the United States of America which are rated "Aaa/AAA" or general obligations of any such state with ratings of "A2" or higher by Moody's and "A" or higher by S&P.

(x) The Local Agency Investment Fund (established under Sections 53600-53609 of the California Government Code, as amended or supplemented from time to time).

“Law” shall mean the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and all laws amendatory thereof or supplemental thereto.

“Letter of Representation” shall mean the letter of the Authority delivered to and accepted by the Depository on or prior to the issuance of the Authority Bonds setting forth the basis on which the Depository serves as depository for such Authority Bonds as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“Local Obligations Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Local Obligations Indenture” shall mean the indenture authorizing and securing the Local Obligations and pursuant to which the Local Obligations were issued, as supplemented.

“Local Obligation Purchase Contract” shall mean the purchase contract entered into between the Authority and the Community Facilities District providing for the purchase of the Local Obligations by the Authority with the proceeds of the Authority Bonds.

“Local Obligations” shall mean the Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 to be issued by the Community Facilities District pursuant to the Act and to be purchased by the Authority pursuant to the Law.

“Mayor” shall mean the Mayor of the City.

“Minimum Sinking Fund Payments” shall mean the payments required by Section 2.01 to be deposited in the Sinking Fund Account.

“Moody’s” shall mean Moody’s Investors Service Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority (which shall be under no liability by reason of such selection).

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by a Bond Counsel selected by the Authority.

“Outstanding” shall mean, with respect to the Authority Bonds and as of any date, all Authority Bonds authorized, issued, authenticated and delivered hereunder, except:

(a) Authority Bonds canceled or surrendered to the Trustee for cancellation pursuant to Section 2.08;

(b) Authority Bonds deemed to have been paid pursuant to Section 12.02;

(c) Authority Bonds in lieu of or in substitution for which other Authority Bonds shall have been authenticated and delivered pursuant to Section 2.03; and

(d) Authority Bonds paid pursuant to Section 2.03.

“Owner” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Principal Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Principal Installment,” when used with respect to any Principal Payment Date, shall mean the principal amount of Outstanding Authority Bonds due on such date.

“Principal Payment Date,” when used with reference to an Authority Bond, shall mean the maturity date or the Minimum Sinking Fund Payment date for such Authority Bond.

“Proceeds Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Rebate Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Rebate Instructions” shall mean the calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate.

“Record Date” shall mean the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Responsible Officer of the Trustee” means any officer within the global corporate trust department (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of this Trust Agreement.

“Revenue Fund” shall mean the fund by that name established pursuant to Section 5.01.

“Revenues” shall mean all amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held in the Funds held hereunder (except the Rebate Fund).

“S&P” shall mean S&P Global Ratings, a business of Standard & Poor’s Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority (which shall be under no liability by reason of such selection).

“Secretary” shall mean the Secretary of the Authority.

“Sinking Fund Account” shall mean the account within the Principal Fund by that name established pursuant to Section 2.01.

“Special Tax” shall mean the special tax authorized to be levied and collected annually on all Taxable Property in the Improvement Area under and pursuant to the Act at the special election held in the Community Facilities District.

“Special Tax Prepayments” shall mean all payments to the Community Facilities District by or on behalf of the owner of a parcel within the Improvement Area subject to a Special Tax to accomplish a pay-off of the Special Tax obligation pertaining to such parcel and the discharge of the Special Tax lien with respect to such parcel (except the portion thereof, if any, which represents accrued interest on the Local Obligations).

“Special Tax Revenues” shall mean all money collected and received by the Community Facilities District on account of unpaid Special Tax obligations within the Improvement Area, including all amounts collected in the normal course by the Community Facilities District, all Special Tax Prepayments and all amounts received by the Community Facilities District as a result of superior court foreclosure proceedings brought to enforce payment of delinquent Special Taxes within the Improvement Area, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys’ fees and costs paid as a result of foreclosure actions.

“Special Record Date” shall mean the date established by the Trustee pursuant to Section 2.01 as a record date for the payment of defaulted interest on the Authority Bonds.

“State” shall mean the State of California.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of this Trust Agreement which is duly executed and delivered in accordance with the provisions of Article XI.

“Term Authority Bonds” shall mean the Authority Bonds which are payable on or before their specified maturity date from Minimum Sinking Fund Payments established for that purpose and calculated to retire such Authority Bonds on or before their specified maturity date.

“Tax Certificate” shall mean each certificate for the Authority Bonds relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority and the Community Facilities District on the Dated Date, as the same may be amended or supplemented in accordance with its terms.

“Treasurer” shall mean the Treasurer of the Authority.

“Taxable Property” shall mean all property within the Improvement Area taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Local Obligations and the levy and collection of the Special Tax.

“Trust Agreement” shall mean this Trust Agreement dated as of May 1, 2022, by and among the Authority, the Community Facilities District and the Trustee pursuant to which the Authority Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trust Estate” shall have the meaning ascribed thereto in the granting clause hereof.

“Trustee” shall mean U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as Trustee hereunder, and any successor as Trustee hereunder.

“Written Order” shall mean, when used with reference to the Authority, a written order or written direction of the Authority to the Trustee signed by an Authorized Officer, and when used with reference to the Community Facilities District, an instrument in writing signed by the City Manager or the Finance Director, or by any other officer of the City duly authorized by the City Council, as legislative body of the Community Facilities District, for that purpose.

SECTION 1.02. Rules of Construction. Except where the context otherwise requires, all words imparting the singular number shall include the plural number and vice versa, and all pronouns inferring the masculine gender shall include the feminine gender and vice versa. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular article, section, subdivision or clause thereof.

ARTICLE II

TERMS OF AUTHORITY BONDS

SECTION 2.01. The Authority Bonds. The Authority Bonds shall be issued under and secured by this Trust Agreement and shall be in the form of fully registered bonds in

denominations of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) in excess thereof designated the “Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022” and shall be in the aggregate principal amount of [] dollars (\$[]). The Authority Bonds shall be dated the Dated Date and shall bear interest at the rates specified in the table below, such interest being payable semiannually on each Interest Payment Date, and shall mature on the Principal Payment Dates in the following years in the following principal amounts, namely:

Principal Payment Date (September 1)	Principal Amount	Interest Rate
	\$	%

* Term Bonds

Minimum Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Term Authority Bonds, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any Term Authority Bonds have been redeemed pursuant to Section 4.02 or 4.03, the amounts of such Minimum Sinking Fund Payments shall be reduced proportionately by the principal amount of all such Term Authority Bonds so redeemed), namely:

Term Authority Bond Maturing September 1, 20[]

<u>Year Ending September 1</u>	<u>Minimum Sinking Fund Account Payment</u>
	\$

*

* Maturity.

<u>Term Authority Bond Maturing September 1, 20[]</u>	
Year	Minimum
Ending	Sinking Fund
<u>September 1</u>	<u>Account Payment</u>
	\$

*

* Maturity.

All such Minimum Sinking Fund Payments for the Term Authority Bonds shall be deposited in a separate account in the Principal Fund, which account is hereby established and shall be known as the Sinking Fund Account and which account the Authority hereby agrees and covenants to cause to be maintained by the Trustee so long as any Term Authority Bonds are Outstanding. All money in the Sinking Fund Account on September 1 of each year during the period beginning on September 1, 20[], and ending on September 1, 20[], both years inclusive, shall be used and withdrawn by the Authority on each such September 1 for the mandatory redemption or payment of the Term Authority Bonds maturing on September 1, 20[]; and all money in the Sinking Fund Account on September 1 of each year during the period beginning on September 1, 20[], and ending on September 1, 20[], both years inclusive, shall be used and withdrawn by the Authority on each such September 1 for the mandatory redemption or payment of the Term Authority Bonds maturing on September 1, 20[], and the Authority hereby agrees and covenants with the Owners of the respective Term Authority Bonds to call and redeem in accordance with Section 4.04 or pay the Term Authority Bonds from Minimum Sinking Fund Payments deposited in the Sinking Fund Account pursuant to this paragraph whenever on September 1 of any year there is money in the Sinking Fund Account available for such purpose.

The interest on and principal of and redemption premiums, if any, on the Authority Bonds shall be payable in lawful money of the United States of America. The Authority Bonds shall be issued as fully registered bonds and shall be numbered from one (1) upward. The Authority Bonds shall bear interest from the Dated Date. Payment of the interest on any Authority Bond shall be made to the Person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed by first class mail on each Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date for that purpose; except that in the case of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Authority Bonds, upon written request of such Owner to the Trustee received not later than such Record Date, such interest shall be paid on such Interest Payment Date in immediately available funds by wire transfer to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America. The principal of and redemption premiums, if any, on the Authority Bonds shall be payable by the Trustee at its Corporate Trust Office upon presentation and surrender of such Authority Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve (12) 30-day calendar months; provided, that notwithstanding any other provision herein contained, any interest not punctually paid or duly

provided for, as a result of an Event of Default or otherwise, shall forthwith cease to be payable to the Owner on the Record Date and shall be paid to the Owner in whose name the Authority Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Owner not less than ten (10) Business Days prior to such Special Record Date.

SECTION 2.02. Form of Authority Bonds. The Authority Bonds and the forms of the certificate of authentication, the assignment and the DTC endorsement to appear thereon shall be substantially as set forth in Exhibit A hereto, with such variations, insertions or omissions as are appropriate and not inconsistent herewith.

SECTION 2.03. Authority Bonds Mutilated, Destroyed, Stolen or Lost. In the event any Authority Bond is mutilated, lost, stolen or destroyed, the Authority may execute and, upon its request in writing, the Trustee shall authenticate and deliver a substitute Authority Bond of the same principal amount and maturity as the mutilated, lost, stolen or destroyed Authority Bond in exchange and substitution for such mutilated Authority Bond, or in lieu of and substitution for such lost, stolen or destroyed Authority Bond.

Application for exchange and substitution of mutilated, lost, stolen or destroyed Authority Bonds shall be made to the Trustee at its Corporate Trust Office. In every case the applicant for a substitute Authority Bond shall furnish to the Trustee indemnification to its satisfaction, and in every case of loss, theft or destruction of an Authority Bond, the applicant shall also furnish to the Authority and the Trustee evidence to their satisfaction of such loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of an Authority Bond, the applicant shall surrender the mutilated Authority Bond to the Trustee.

Notwithstanding the foregoing provisions of this Section, in the event any such Authority Bond shall have matured, and no default has occurred which is then continuing in the payment of the interest on or principal of or redemption premiums, if any, on the Authority Bonds, the Trustee shall, upon written direction from the Authority, pay the same (without surrender thereof except in the case of a mutilated Authority Bond) instead of issuing a substitute Authority Bond so long as indemnification is furnished as above provided.

Upon the issuance of any substitute Authority Bond, the Trustee may charge the Owner of such Authority Bond for its reasonable fees and expenses in connection therewith. Every substitute Authority Bond issued pursuant to the provisions of this Section by virtue of the fact that any Authority Bond is lost, stolen or destroyed shall constitute an original additional contractual obligation of the Authority, whether or not the lost, stolen or destroyed Authority Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionally with any and all other Authority Bonds duly issued hereunder to the same extent as the Authority Bonds in substitution for which such substitute Authority Bonds were issued.

SECTION 2.04. Execution of Authority Bonds. All Authority Bonds shall, from time to time, be executed on behalf of the Authority by the manual or facsimile signature of the Treasurer and attested by the manual or facsimile signature of the Secretary.

If any of the officers who shall have signed any Authority Bond shall cease to be such officer of the Authority before the Authority Bond so signed shall have been actually authenticated by the Trustee or delivered, such Authority Bond nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed such Authority Bond had not ceased to be such officer of the Authority, and any such Authority Bond may be signed on behalf of the Authority by those persons who, at the actual date of the execution of such Authority Bond, shall be the proper officers of the Authority, although on the date of such Authority Bond any such person shall not have been such officer of the Authority.

SECTION 2.05. Transfer and Registration of Authority Bonds. The Authority Bonds shall be transferred or exchanged and title thereto shall pass only in the manner provided herein, and the Trustee shall keep books constituting the Bond Register for the registration and transfer of the Authority Bonds as provided herein. All Authority Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his or her attorney duly authorized in writing, and all such Authority Bonds shall be surrendered to the Trustee and canceled by the Trustee pursuant to Section 2.08. The Authority and the Trustee shall be entitled to conclusively treat the Owner as the absolute owner of such Authority Bond for the purpose of receiving any payment of the interest on or principal of or redemption premium, if any, on such Authority Bond and for all other purposes hereof, whether such Authority Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Authority Bond to the extent of the sum or sums so paid.

SECTION 2.06. Regulations with Respect to Exchange or Transfer of Authority Bonds.

In all cases in which the privilege of exchanging or registering the transfer of Authority Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Authority Bonds in accordance with the provisions hereof. There shall be no charge to the Owner for any such exchange or registration of transfer of Authority Bonds, but the Authority may require the payment of a sum sufficient to pay any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. Neither the Authority nor the Trustee shall be required to register the transfer or exchange of any Authority Bond during the period established by the Trustee for selection of Authority Bonds for redemption or to register the transfer or exchange of any Authority Bond selected for redemption.

Upon surrender for exchange or transfer of any Authority Bond at the Corporate Trust Office of the Trustee, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the Owner (in the case of transfers) a new Authority Bond or Authority Bonds, of Authorized Denominations, in the aggregate principal amount which the registered Owner is entitled to receive.

All new Authority Bonds delivered upon any transfer or exchange shall be valid obligations of the Authority, evidencing the same debt as the Authority Bonds surrendered, shall be secured hereby and shall be entitled to all of the security and benefits hereof to the same extent as the Authority Bonds surrendered.

SECTION 2.07. Authentication of Authority Bonds. No Authority Bond shall be secured hereby or entitled to the benefits hereof or shall be valid or obligatory for any purpose unless there shall be endorsed on such Authority Bond the Trustee's certificate of authentication, substantially in the form prescribed herein, executed by the manual signature of a duly authorized signatory of the Trustee; and such certificate on any Authority Bond issued by the Authority hereunder shall be conclusive evidence and the only competent evidence that such Authority Bond has been duly authenticated and delivered hereunder.

SECTION 2.08. Cancellation of Authority Bonds. Upon the surrender to the Trustee of any mutilated Authority Bond, or any Authority Bond surrendered for transfer or exchange, or any Authority Bond redeemed or paid at maturity, the same shall forthwith be canceled and the Trustee shall destroy such Authority Bonds and the Trustee shall deliver a certificate of destruction with respect thereto to the Authority.

SECTION 2.09. Authority Bonds as Special Obligations. The Authority Bonds are special, limited obligations of the Authority, payable from the Trust Estate and secured as to the payment of the interest on and principal of and redemption premiums, if any, thereon in accordance with their terms and the terms hereof, solely by the Trust Estate. The Authority Bonds do not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay the interest on or principal of or redemption premiums, if any, on the Authority Bonds except from the Trust Estate. None of the Community Facilities District, the City, the State, any public agency (other than the Authority) or any member of the Community Facilities District or the Authority is obligated to pay the interest on or principal of or redemption premiums, if any, on the Authority Bonds, and neither the faith and credit nor the taxing power of the Community Facilities District, the City, the State or any public agency thereof or any member of the Authority or the Community Facilities District is pledged to the payment of the interest on or principal of or redemption premiums, if any, on the Authority Bonds. The payment of the interest on or principal of or redemption premiums, if any, on the Authority Bonds does not constitute a debt, liability or obligation of the Community Facilities District, the City, the State or any public agency (other than the Authority) or any member of the Authority.

No agreement or covenant contained in any Authority Bond or herein shall be deemed to be an agreement or covenant of any officer, member, agent or employee of the Authority in his or her individual capacity, and neither the members of the Authority nor any officer or employee thereof executing the Authority Bonds shall be liable personally on any Authority Bond or be subject to any personal liability or accountability by reason of the issuance of the Authority Bonds.

SECTION 2.10. Special Covenants as to Book-Entry Only System for Authority Bonds.

(a) Except as otherwise provided in subsections (b) and (c) of this Section, all of the Authority Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Letter of Representation. Payment of the interest on any Authority Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such

Authority Bonds to the account, in the manner and at the address indicated in or pursuant to the Letter of Representation.

(b) The Authority Bonds initially shall be issued in the form of a single authenticated fully registered Authority Bond for each stated maturity of such Authority Bonds, representing the aggregate principal amount of the Authority Bonds of such maturity. Upon initial issuance, the ownership of all such Authority Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.05 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Letter of Representation. The Trustee and any paying agent may conclusively treat DTC (or its nominee) as the sole and exclusive owner of the Authority Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Authority Bonds, selecting the Authority Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of Authority Bonds, obtaining any consent or other action to be taken by Owners of the Authority Bonds and for all other purposes whatsoever; and neither the Trustee nor the Trustee or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Authority Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Authority Bonds, (iii) any notice which is permitted or required to be given to Owners of Authority Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Authority Bonds, or (v) any consent given or other action taken by DTC as Owner of Authority Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Authority Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Letter of Representation, and all such payments shall be valid and effective to satisfy fully and discharge the Trustee's obligations with respect to the principal of and premium, if any, and interest on the Authority Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Authority Bonds will be transferable to such new nominee in accordance with subsection (e) of this Section.

(c) In the event that the Authority determines that the beneficial owners of the Authority Bonds shall be able to obtain Authority Bond certificates, the Trustee shall, upon the written instruction from the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Authority Bond certificates. In such event, the Authority Bonds will be transferable in accordance with subsection (e) of this Section. DTC may determine to discontinue providing its services with respect to the Authority Bonds at any time by giving written notice of such discontinuance to the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Authority Bonds will be transferable in accordance with subsection (e) of this Section. Whenever DTC requests the Trustee to do so, the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Authority Bonds

then Outstanding. In such event, the Authority Bonds will be transferable to such securities depository in accordance with subsection (e) of this Section, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Authority Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Authority Bond and all notices with respect to each such Authority Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation.

(e) In the event that any transfer or exchange of Authority Bonds is authorized under subsection (b) or (c) of this Section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Authority Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.05 and 2.06. In the event Authority Bond certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Authority Bonds, another securities depository as Owner of all the Authority Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.05 and 2.06 shall also apply to, among other things, the registration, exchange and transfer of the Authority Bonds and the method of payment of principal of, premium, if any, and interest on the Authority Bonds.

SECTION 2.11. CUSIP Numbers. The Authority in issuing the Authority Bonds may use “CUSIP” numbers (if then generally in use), and, if so, the Trustee shall use “CUSIP” numbers in notices of redemption as a convenience to Owners; provided that the Trustee shall have no liability for any defect in the “CUSIP” numbers as they appear on any Authority Bond, notice or elsewhere, and, provided further that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Authority Bonds or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Authority shall promptly notify the Trustee in writing of any change in CUSIP numbers.

ARTICLE III

ISSUANCE OF AUTHORITY BONDS

SECTION 3.01. Provisions for the Issuance of Authority Bonds. The Authority Bonds shall be executed by the Authority and delivered to the Trustee for authentication, together with a Written Order authorizing and directing the Trustee to authenticate the Authority Bonds and containing instructions as to the delivery of the Authority Bonds. The Trustee shall authenticate and deliver the Authority Bonds upon receipt of such Written Order and upon the following having been made available to it:

(a) A copy of the resolution adopted by the Authority approving this Trust Agreement and the execution and delivery by the Authority hereof, duly certified by the Secretary to have

been duly adopted by the Authority and to be in full force and effect on the date of such certification;

- (b) The proceeds of sale of the Authority Bonds;
- (c) An Officer's Certificate stating that all conditions precedent to the authorization of the Authority Bonds have been satisfied and that the Authority is not in default in the performance of any of the agreements, conditions, covenants or terms contained herein;
- (d) An original executed counterpart hereof;
- (e) The Local Obligations to be purchased with the proceeds of the Authority Bonds, registered in the name of the Trustee; and
- (f) An Opinion or Opinions of Bond Counsel addressing the validity and, if applicable, the tax-exempt status of the Authority Bonds and the validity of the Local Obligations, subject to such exceptions as may be reasonable and appropriate.

SECTION 3.02. Parity and Subordinate Bonds. So long as any of the Authority Bonds remain Outstanding, the Authority shall not issue any bonds or obligations payable from Revenues.

ARTICLE IV

REDEMPTION OF AUTHORITY BONDS

SECTION 4.01. General Redemption Provisions. The Authority Bonds that are subject to redemption prior to maturity pursuant to this Trust Agreement shall be redeemable, upon mailed notice as provided in this Article, at such times and upon such terms as are contained in this Article.

SECTION 4.02. Optional Redemption. The Authority Bonds are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20[], from any source of available funds other than Minimum Sinking Fund Payments and Special Tax Prepayments, upon mailed notice as provided herein, at the following redemption prices (computed upon the principal amount of the Authority Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or after September 1, 20[] through August 31, 20[];

102% if redeemed on any date from September 1, 20[] through August 31, 20[];

101% if redeemed on any date from September 1, 20[] through August 31, 20[]; and

100% if redeemed on September 1, 20[] and any date thereafter.

SECTION 4.03. Extraordinary Redemption. The Authority Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on any Interest Payment Date on or after September 1, 20[], solely from funds derived from extraordinary redemption of Local Obligations from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Authority Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on an Interest Payment Date on or after September 1, 20[] through March 1, 20[];

102% if redeemed on an Interest Payment Date on September 1, 20[] and March 1, 20[];

101% if redeemed on an Interest Payment Date on September 1, 20[] and March 1, 20[]; and

100% if redeemed on September 1, 20[] and any Interest Payment Date thereafter.

SECTION 4.04. Mandatory Redemption. The Term Authority Bonds maturing on September 1, 20[], are subject to mandatory redemption by the Authority prior to their maturity date in part on September 1 of each year on and after September 1, 20[], to and including September 1, 20[]; and the Term Authority Bonds maturing on September 1, 20[], are subject to mandatory redemption by the Authority prior to their maturity date in part on September 1 of each year on and after September 1, 20[], to and including September 1, 20[] from (and in the amount of) the Minimum Sinking Fund Payments due and payable for the Term Authority Bonds on each such date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date of redemption, without premium.

SECTION 4.05. Redemption Instructions. Upon any prepayment of a Local Obligation, the Authority shall deliver to the Trustee at least forty-five (45) days prior to the redemption date a Written Order of the Authority designating the amounts and maturities of the Authority Bonds to be redeemed, which shall be in the manner necessary to enable the Authority to deliver a Cash Flow Certificate satisfying the requirements described below. In the event only a portion of the Outstanding Authority Bonds of any maturity are to be redeemed at any one time, the Trustee shall select the particular Authority Bonds of each maturity date to be redeemed in accordance with DTC procedures or, if the Authority Bonds are not then in book-entry, in a manner that it deems appropriate and fair. The Trustee shall redeem Authority Bonds in Authorized Denominations. The Trustee shall promptly notify the Authority in writing of the numbers of the Authority Bonds so selected for redemption on any date. Upon any redemption of a portion but not all of the Outstanding Authority Bonds, the Authority shall deliver to the Trustee a Cash Flow Certificate to the effect that, assuming all payments are made with respect to the Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and account held under this Trust Agreement, will be sufficient to pay all Principal Installments, Minimum Sinking Fund Payments

and interest payments on the Authority Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Authority Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Authority Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Authority Bonds, such that in no event will the prepayment of Local Obligations cause the Trustee to have insufficient funds to pay debt service on the Authority Bonds when due. In no event shall Authority Bonds be redeemed if upon such redemption the principal amount of the Local Obligations remaining outstanding will be less than the total principal amount of Outstanding Authority Bonds. Such Written Order of the Authority may specify that optional redemption of the Authority Bonds will be conditioned upon receipt of funds or other events.

SECTION 4.06. Notice of Redemption. Subject to receipt of the Written Order of the Authority delivered pursuant to Section 4.05, the Trustee shall, at the sole cost and expense of the Authority, give notice of redemption as hereinafter provided in this Section; provided, that Authority Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Authority Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Authority Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof to the Trustee at its Corporate Trust Office, subject to any conditions to such redemption specified in the Written Order of the Authority, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Authority Bonds (or portions thereof) so to be redeemed will cease to accrue on and after such date and that from and after such date such Authority Bond (or such portion thereof) shall no longer be entitled to any lien, benefit or security hereunder, and the Owner thereof shall have no rights in respect of such redeemed Authority Bond or such portion except to receive payment from such money of such redemption price plus accrued interest to the date fixed for redemption. If sufficient monies for the payment of the redemption price of all Authority Bonds to be redeemed are not then on deposit with the Trustee, such notice shall also state that redemption is conditioned upon the timely deposit of sufficient funds therefor with the Trustee.

Such notice shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the Owners of such Authority Bonds (or portions thereof) so called for redemption, at their respective addresses as the same shall last appear on the Bond Register; provided, that neither the failure of an Owner to receive notice of redemption of Authority Bonds hereunder nor any error in such notice shall affect the validity of the proceedings for the redemption of Authority Bonds.

Any notice of optional redemption hereunder may be rescinded by written notice given by the Authority to the Trustee no later than three (3) Business Days prior to the date specified for redemption, instructing the Trustee to send such notice of rescission. The Trustee shall give notice of rescission of the notice of optional redemption or non-satisfaction of any conditions specified in the notice of optional redemption as soon as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to this Section.

SECTION 4.07. Payment of Redeemed Authority Bonds. If notice of redemption has been given and not rescinded and if the conditions to such redemption specified therein, if any, have been satisfied, each as provided in Section 4.06, the Authority Bonds (or the portions thereof) called for redemption shall become irrevocably due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Authority Bonds to be redeemed at the Corporate Trust Office of the Trustee specified in the notice of redemption. If there shall be called for redemption less than the full principal amount of an Authority Bond, the Authority shall execute and deliver and the Trustee shall authenticate, upon surrender of such Authority Bond, and without charge to the Owner thereof, Authority Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Authority Bonds so surrendered in such Authorized Denominations as shall be specified by the Owner thereof.

If any Authority Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Authority, then interest on such Authority Bond or such portion thereof shall cease to accrue from such date, and from and after such date such Authority Bond or such portion thereof shall no longer be entitled to any lien, benefit or security hereunder, and the Owner thereof shall have no rights in respect of such Authority Bond or such portion except to receive payment of such redemption price and unpaid interest accrued to the date fixed for redemption.

SECTION 4.08. Purchase in Lieu of Redemption. In lieu of redemption of any Authority Bond pursuant to the provisions of Section 4.02 or Section 4.03, and after complying with Section 4.05, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may be used and withdrawn by the Trustee at any time prior to a notice of redemption having been delivered, upon a Written Order for the purchase of such Authority Bonds at public or private sale as and when and at such prices as the Authority may in its discretion determine, but not in excess of the lower of the highest or then current redemption price thereof plus accrued interest to the purchase date; and all Authority Bonds so purchased shall be delivered to the Trustee for cancellation.

ARTICLE V

REVENUES AND FUNDS FOR AUTHORITY BONDS

SECTION 5.01. Establishment of Funds. There is hereby established with the Trustee, and the Trustee hereby agrees to maintain, the following special trust funds for the Authority Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligations Fund and the Rebate Fund.

SECTION 5.02. Deposit of Proceeds of Authority Bonds. The net proceeds received from the sale of the Authority Bonds (in the amount of \$[_____], consisting of the principal amount thereof, plus the original issue premium of \$[_____] and less an underwriter's discount of \$[_____]) shall be deposited by the Trustee in the Proceeds Fund.

SECTION 5.03. Proceeds Fund. The amounts in the Proceeds Fund shall be applied forthwith by the Trustee for the purchase of the Local Obligations pursuant to the Local Obligation Purchase Contract in accordance with a Written Order of the Authority whereupon the Proceeds Fund shall be closed. If any amount shall remain in the Proceeds Fund following such purchase, such amount shall be transferred to the Revenue Fund.

SECTION 5.04. Local Obligations Fund. All Local Obligations acquired by the Trustee pursuant to Section 5.03 shall be deposited in the Local Obligations Fund, which the Trustee shall establish and maintain.

SECTION 5.05. Revenue Fund. All Revenues received by the Trustee, other than Revenues derived from the early redemption of Local Obligations from Special Tax Prepayments (which shall be administered in accordance with Section 5.06), shall be deposited by the Trustee in the Revenue Fund. On each Interest Payment Date and Principal Payment Date, the Trustee shall transfer Revenues (to the extent that Revenues are available therein) from the Revenue Fund, in the amounts specified in Sections 5.07 and 5.08, for deposit into the respective Funds specified therein in the order of priority herein set forth, the requirements of each Fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any Fund later in priority. On each Interest Payment Date and Principal Payment Date, after making the deposits required by Sections 5.07 and 5.08, the Trustee shall transfer all remaining money in the Revenue Fund to the Indenture Trustee for deposit pursuant to the Local Obligations Indenture.

SECTION 5.06. Revenues Derived from Special Tax Prepayments. The Community Facilities District and the Authority acknowledge that amounts received by the Community Facilities District on account of Special Tax Prepayments are to be utilized for the sole purpose of the prior redemption of Local Obligations pursuant to Section 4.03, and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper ratio between debt service payments on the Local Obligations and debt service payments on the Authority Bonds, all Revenues received by the Trustee which are derived from the early redemption of Local Obligations from Special Tax Prepayments when received by the Community Facilities District shall be deposited in the Redemption Fund and used to redeem the Authority Bonds pursuant to Section 4.03, in accordance with a Written Order of the Authority delivered pursuant to Section 4.05.

SECTION 5.07. Interest Fund. The Trustee shall deposit in the Interest Fund on each Interest Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Interest Fund, is equal to the interest due on the Authority Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Authority Bonds on such date from the Interest Fund.

SECTION 5.08. Principal Fund. After satisfying the requirements of the foregoing Section 5.07 respecting deposits in the Interest Fund, the Trustee shall deposit in the Principal Fund (i) on each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Authority Bonds which have matured but which have not been presented for payment) is sufficient to pay the Principal Installments on the Authority Bonds due on such Principal Payment Date and (ii) on each September 1 on which a Minimum Sinking Fund

Payment is required to be made (for deposit in the Sinking Fund Account) from the Revenue Fund an amount of Revenues which is equal to the Minimum Sinking Fund Payment due and payable on such date. On each Principal Payment Date, the Trustee shall pay the principal or redemption price due and payable on the Authority Bonds on such date from the Principal Fund.

SECTION 5.09. Redemption Fund. All money held in or transferred to the Redemption Fund pursuant to Section 5.06 shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Authority Bonds pursuant to Section 4.03, and the Trustee shall use other moneys in the Redemption Fund for the payment of the redemption price of Authority Bonds called for redemption pursuant to Section 4.02, together with accrued interest to the redemption date.

SECTION 5.10. Rebate Fund. The Trustee agrees to establish and maintain when needed a fund separate from any other fund established and maintained hereunder designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with the Rebate Instructions received from the Authority. The Trustee will apply money held in the Rebate Fund as provided in Section 7.04 and according to instructions provided by the Authority. Subject to the provisions of Section 7.04, all money held in the Rebate Fund is hereby pledged to secure payments to the United States of America, and the Authority and the Community Facilities District and the Owners will have no rights in or claim to such money. The Trustee will invest all money held in the Rebate Fund in Investment Securities as directed in writing by the Authority, such written direction to specify which Investment Securities are to be invested in, and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Upon receipt of the Rebate Instructions required by the Tax Certificate to be delivered to the Trustee, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such Funds as the Rebate Instructions shall direct. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority including supplying all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by the Authority with the terms of the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from money held in the Rebate Fund or from other money provided to it by the Authority. The Trustee shall not be responsible for computing the Rebate Requirement, and computations of the Rebate Requirement shall be furnished to the Trustee or on behalf of the Authority in accordance with the Tax Certificate.

Notwithstanding any other provision hereof, including in particular Article XII pertaining to defeasance, the obligation to remit the rebate amounts to the United States of America and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the Authority Bonds.

ARTICLE VI

SECURITY FOR AND INVESTMENT OF MONEY

SECTION 6.01. Security. All money required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision hereof shall be held by the Trustee in trust, and except for money held for the payment or redemption of Authority Bonds or the payment of interest on Authority Bonds pursuant to Section 12.03, shall, while held by the Trustee, constitute part of the Trust Estate and shall be subject to the lien and pledge created hereby.

SECTION 6.02. Investment of Money. So long as the Authority Bonds are Outstanding and there is no default hereunder, all money on deposit to the credit of the Revenue Fund, the Interest Fund, the Principal Fund and the Redemption Fund and all accounts within such Funds shall, at the written request of an Authorized Officer of the Authority specifying and directing that such investment of such money be made, be invested by the Trustee in Investment Securities having maturities not later than the date necessary to provide the availability of money when needed for purposes hereof, and all money held in the Rebate Fund shall, at the written request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Trustee in Government Obligations having maturities not later than the date necessary to provide the availability of money when needed for purposes hereof, and the Trustee shall be entitled to conclusively rely on such instructions for purposes of this Section. The Trustee shall notify the Authority in writing prior to the date money held hereunder will be available for investment, requesting that the Authority deliver to the Trustee written instructions specifying the Investment Securities to be acquired by the Trustee with such money. The Authority, in issuing such written instructions, shall comply with the provisions of the Tax Certificate. In the absence of written instructions from the Authority regarding investment, such money shall be held uninvested. The Trustee (or any affiliate thereof) may act as principal or agent in the acquisition or disposition of any investments.

Money on deposit in the Proceeds Fund, if any, shall be invested in Investment Securities pursuant to a Written Order specifying which Investment Securities to be invested in, and such money may not be reinvested in any other Investment Securities unless the Trustee receives, at the time of such reinvestment, a further written certification to the effect that, after such reinvestment, the Revenues will be sufficient to pay principal and interest on the Authority Bonds when due.

Notwithstanding anything to the contrary contained herein, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund from which such accrued interest was paid. The Trustee shall not be responsible for any losses, taxes, fees, charges or consequences of any investment, reinvestment or liquidation of investment if it follows such instructions. Notwithstanding anything to the contrary contained herein, the Trustee shall have no obligation or responsibility to determine whether investment in a security is permitted by the laws of the State and the City's Investment Policy, for and on behalf of the Community Facilities District, and shall be entitled to conclusively assume that any investment it is directed to make is so permitted.

The securities purchased with the money in each Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the money in any Fund be redeemed or sold in order to raise money necessary to comply with the provisions hereof, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee shall not be liable or responsible for any consequences, fees, taxes or other charges resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized pursuant to this Section.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund and the Redemption Fund may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided herein.

All earnings on the investment of the money on deposit in any Fund shall remain a part of such Fund.

ARTICLE VII

COVENANTS OF THE AUTHORITY AND THE COMMUNITY FACILITIES DISTRICT

SECTION 7.01. Payment of Authority Bonds; No Encumbrances. The Authority shall cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged hereunder, the interest on and principal of and redemption premium, if any, on every Authority Bond issued under and secured hereby at the place, on the dates and in the manner specified herein and in such Authority Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Authority Bonds.

SECTION 7.02. Enforcement and Amendment of Local Obligations. The Authority, the Community Facilities District and the Trustee (subject to Article IX hereof) shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners hereunder.

The Authority, the Community Facilities District and the Trustee may, without the consent of or notice to the Owners of the Authority Bonds, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions hereof (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein that is not to the material prejudice of the Owners of the Authority Bonds, or (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligations or Authority Bonds from federal income taxes or the exemption of such interest from State personal income taxes.

Except for the amendments, changes or modifications provided for in the preceding paragraph, neither the Authority, the Community Facilities District nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of Authority Bonds at the time Outstanding given and procured as provided in this Section. If at any time the Authority and the Community Facilities District, as the case may be, shall request the consent of the Trustee to any such proposed amendment, change or modification of a Local Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice, prepared by the Authority, of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 13.03. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners.

SECTION 7.03. Further Documents. The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose hereof; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any political subdivision of the State.

SECTION 7.04. Tax Covenants for the Authority Bonds.

(a) The Authority and the Community Facilities District will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Authority Bonds under Section 103 of the Code. The Authority and the Community Facilities District will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the Authority or take or omit to take any action that would cause the Authority Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority will not allow ten percent (10%) or more of the proceeds of the Authority Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent (5%) or more of the proceeds of the Authority Bonds to any nongovernmental units.

(b) The Authority and the Community Facilities District will not directly or indirectly use or permit the use of any proceeds of the Authority Bonds or any other funds of the Authority or take or omit to take any action that would cause the Authority Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Authority and the Community Facilities District will comply with all requirements of Section 148 of the Code to the extent applicable to the Authority Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any money held by the Trustee hereunder, the Authority will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

(c) The Authority will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full or defeasance of the Authority Bonds. The Authority will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate (which is incorporated herein by reference).

(d) The Trustee will conclusively be deemed to have complied with the provisions of this Section and the provisions of the Tax Certificate and shall incur no liability if it follows the directions of the Authority set forth in the Tax Certificate and the Rebate Instructions and shall not be required to take any actions hereunder in the absence of Rebate Instructions from the Authority.

(e) Notwithstanding any provision of this Section, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Authority Bonds, the Trustee and the Authority and the Community Facilities District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

(f) The provisions of this Section shall survive the defeasance of the Authority Bonds.

SECTION 7.05. Maintenance of Existence. The Authority shall maintain the existence, powers and authority of the Authority as a joint exercise of powers authority under the laws of the State.

SECTION 7.06. Continuing Disclosure. The Community Facilities District has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Owners of the Authority Bonds or any other person with respect to S.E.C. Rule 15c2-12. Notwithstanding any other provision hereof, failure of the Community Facilities District to comply with any continuing disclosure obligation shall not be considered an Event of Default; provided, that any Owners of the Authority Bonds or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District to comply with its continuing disclosure obligations.

SECTION 7.07. Redemption Fund for the Local Obligations.

(a) The Community Facilities District expressly acknowledges that, pursuant to the Local Obligations Indenture, the Community Facilities District is to establish and maintain a separate redemption fund for the Local Obligations (the "Local Obligations Redemption Fund") and, so long as the Local Obligations remain outstanding, to deposit into such Local Obligations Redemption Fund, upon receipt, any and all Special Tax Revenues received by the Community Facilities District in connection with the Local Obligations. The Community Facilities District further acknowledges that no temporary loan or other use whatsoever may be made of Special Tax Revenues, and that the Local Obligations Redemption Fund constitutes a trust fund for the benefit of the owners of the Local Obligations.

(b) The Community Facilities District hereby covenants for the benefit of the Authority, as owner of the Local Obligations, the Trustee, as assignee of the Authority with respect to the Revenues, and the Owners from time to time of the Authority Bonds, that it will establish, maintain and administer the Local Obligations Redemption Fund and the Special Tax Revenues in accordance with their status as trust funds as prescribed by the Act, the Local Obligations Indenture and this Trust Agreement.

(c) The Community Facilities District further covenants that, no later than one (1) Business Day prior to each Interest Payment Date and Principal Payment Date of the Authority Bonds, the Community Facilities District will advance to the Trustee against payment on the Local Obligations, as assignee of the Authority with respect to the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment Date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. For so long as Authority Bonds remain Outstanding, the Trustee shall provide written notice to the Authority no later than fifteen (15) days prior to each Interest Payment Date specifying the amount required to be paid to the Trustee pursuant to this subsection in the month subsequent thereto.

SECTION 7.08. Concerning the Trust Estate. The Authority hereby represents and warrants as follows:

(a) This Trust Agreement creates a valid and binding pledge of and security interest in the Trust Estate in favor of the Trustee in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Authority Bonds Outstanding hereunder, enforceable by the Trustee in accordance with the terms hereof.

(b) Under the laws of the State of California, (1) such pledge of and security interest in the Trust Estate and (2) each pledge, assignment, lien, or other security interest made to secure any prior obligations of Authority which, by the terms hereof, ranks on parity with or prior to the pledge of and security interest granted hereby, are and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Authority on a simple contract.

(c) The Authority has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Trust Estate that ranks on parity with or prior to the pledge and security interest granted hereby, except for the pledge and security interest granted to secure the Authority Bonds. The Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on parity with the pledge and security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.01. Events of Default. The following shall constitute “Events of Default” hereunder:

- (a) if payment of interest on the Authority Bonds shall not be made when due; or
- (b) if payment of any Principal Installment or Minimum Sinking Fund Payment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority or the Community Facilities District shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained herein on its part

to be observed or performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority or the Community Facilities District, as the case may be, by the Trustee or by the Owners of not less than fifty percent (50%) in aggregate principal amount of the Authority Bonds, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Community Facilities District within the applicable period and diligently pursued until the default is corrected; or

- (d) if there is an event of default under the Local Obligations Indenture.

SECTION 8.02. Proceedings by Trustee; No Acceleration. Upon the happening and continuance of any Event of Default the Trustee may, or at the written request of the Owners of not less than fifty percent (50%) in aggregate principal amount of Authority Bonds Outstanding, shall (but only if indemnified to its satisfaction from any liability, expense or cost), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;

- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and

(e) take such action with respect to any and all Local Obligations or Investment Securities as shall be necessary and appropriate, subject to Section 8.04 and to the terms of such Local Obligations or Investment Securities.

The Trustee shall have no right to declare the principal of all of the Authority Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

SECTION 8.03. Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 8.04. Rights of Owners. Anything herein to the contrary notwithstanding, but subject to the limitations and restrictions as to the rights of the Owner contained in Sections 8.01, 8.02, and 8.05, upon the happening and continuance of any Event of Default, the Owners of not less than fifty percent (50%) in aggregate principal amount of the Authority Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably

satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder.

The Trustee may refuse to follow any direction that conflicts with law or herewith or that the Trustee determines would subject the Trustee to personal liability without adequate indemnification therefor.

SECTION 8.05. Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article, no Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust hereunder, or any other remedy hereunder or in the Authority Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than fifty percent (50%) in aggregate principal amount of the Authority Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted herein, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case to be conditions precedent to the execution of the trusts hereof or for any other remedy hereunder, it being understood and intended that no one or more Owners of Authority Bonds secured hereby shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security hereof, or to enforce any rights hereunder or under the Authority Bonds, except in the manner provided herein, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided herein, and for the equal benefit of all Owners of Outstanding Authority Bonds; subject, however, to the provisions of this Section. Notwithstanding the foregoing provisions of this Section or any other provision hereof, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Trust Estate, the interest on and principal of and redemption premiums, if any, on the Authority Bonds to the respective Owners thereof at the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

SECTION 8.06. Power of Trustee to Enforce. All rights of action hereunder or under any of the Authority Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Authority Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions hereof.

SECTION 8.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 8.08. Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Authority Bonds, the Trustee shall waive any Event of Default hereunder and its consequences. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Authority and the Community Facilities District and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Authority Bonds if such Owners had not previously been given notice of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee and to the Owners may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.09. Application of Money upon Event of Default. Any money received by the Trustee pursuant to this Article shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

(a) unless the principal of all of the Outstanding Authority Bonds shall be due and payable,

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Authority Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Authority Bonds which shall have become due (other than Authority Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions hereof) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Authority Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Owners entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the interest on and principal of and redemption premiums, if any, on the Authority Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such interest and principal and redemption premiums, if any, due on any particular date, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(b) if the principal of all of the Outstanding Authority Bonds shall be due and payable, to the payment of the interest on and principal of and redemption premiums, if any, due on all Outstanding Authority Bonds without preference or priority of or of any interest on any Outstanding Authority Bond over any other Outstanding Authority Bond, any principal of or the redemption premium, if any, on any Outstanding Authority Bond or of any other Outstanding Authority Bond, ratably, according to the amounts due respectively for interest and principal and redemption premiums, if any, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Authority Bonds.

ARTICLE IX

THE TRUSTEE

SECTION 9.01. Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Authority agrees and the respective Owners of the Authority Bonds, by purchase and acceptance thereof, agrees.

SECTION 9.02. Duties, Immunities and Liability of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth herein, and no implied duties or obligations shall be read herein against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it hereby and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of his or her own affairs.

In the absence of an Event of Default, the Authority may remove the Trustee. The Authority shall remove the Trustee if (A) it receives an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding (or their attorneys duly authorized in writing) or (B) at any time the Trustee shall cease to be eligible in accordance with this Section, or (C) the Trustee shall become incapable of acting, or (D) the Trustee shall commence a case under any bankruptcy, insolvency or similar law, or (E) a receiver of the Trustee or of its property shall be appointed, or (F) any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation. To effect any such removal, the Authority shall give written notice thereof to the Trustee, and thereupon the Authority (with the concurrence of the Community Facilities District) shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may, subject to the next following paragraph of this Section, resign by giving written notice of such resignation by mail, first class postage prepaid, to the Authority, the Community Facilities District and the Owners at the respective addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority (with the concurrence of the Community Facilities District) shall promptly appoint, by an instrument in writing, a successor Trustee.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of the successor Trustee by the Authority and the Community Facilities District and acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition, at the expense of the Community Facilities District, any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Authority and the Community Facilities District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if it were originally named Trustee herein; but, nevertheless, at the written request of the Authority or the Community Facilities District or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it hereunder and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority and the Community Facilities District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such successor Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their respective addresses listed in the Bond Register.

Any successor Trustee appointed under the provisions of this Section shall be a trust company or bank having the powers of a trust company, having a designated corporate trust office in California, and with a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and being subject to supervision or examination by federal or state authority; and if such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign promptly in the manner and with the effect specified in this Section.

No provision herein shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder unless the Owners shall have offered to the Trustee indemnity it deems reasonable, against the costs, expenses and liabilities that may be incurred. The Trustee shall be entitled to interest on all money advanced by it hereunder at its prime rate then in effect plus two percent (2%), but not to exceed the maximum interest rate permitted by the laws of the State.

In accepting the trust hereby created, the Trustee is acting solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Authority Bonds.

The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Authority or the Community Facilities District of the funds hereunder including, without limitation, the purchase of the Local Obligations hereunder; provided, that the Trustee shall not acquire Local Obligations other than pursuant to the provisions of Sections 5.03 and 5.04.

In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing any Local Obligation. The Trustee shall not be responsible for the recording or filing of any document relating hereto or any Local Obligation or of financing statements (or amendments or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing any Local Obligation. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge thereof at its Corporate Trust Office.

The Trustee shall not be accountable for the use or application by the Authority or the Community Facilities District or any other party of any funds which the Trustee has released hereunder.

The Trustee shall provide a monthly accounting of all funds held pursuant hereto to the Authority within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within ninety (90) days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any accounts and funds (including the Local Obligations Fund) created hereunder as of the beginning and the close of such accounting period.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon

request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 9.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall succeed to the rights and obligations of the Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding; provided, that such company shall be eligible under Section 9.02.

SECTION 9.04. Compensation and Indemnification. The Authority shall pay or cause the Community Facilities District to pay the Trustee such compensation, as shall be agreed in writing, for its services rendered hereunder and reimburse the Trustee for reasonable expenses, disbursements and advances, including attorneys' fees and expenses, incurred by the Trustee in the performance of its obligations hereunder and with respect to the Local Obligations.

The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its officers, directors, employees, attorneys and agents for, and to hold it harmless against, any loss, liability, claim or expense incurred without negligence or willful misconduct on its part arising out of or in connection with (i) the acceptance or administration of the trusts imposed hereby, including performance of its duties hereunder, including the costs and expenses of defending itself against any claims (whether asserted by the City or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder (including this Section 9.04), (ii) the projects to be financed with the purchase of the Local Obligations; (iii) the sale of any Authority Bonds or the purchase of the Local Obligations and the carrying out of any of the transactions contemplated by the Authority Bonds or the Local Obligations; or (iv) any untrue statement of any material fact or omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized by the Authority or the Community Facilities District in connection with the sale of the Authority Bonds or the Local Obligations. The Authority's obligations hereunder with respect to indemnity of the Trustee and the provision for its compensation set forth in this Article shall survive and remain valid and binding notwithstanding the maturity and payment of the Authority Bonds, or the resignation or removal of the Trustee.

The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the contract of purchase for the sale of the Authority Bonds, that all documents required to be delivered on the closing date to the parties are actually delivered, except its own responsibility to receive or deliver the proceeds of the sale, deliver the Authority Bonds and other certificates expressly required to be delivered by it and its counsel.

The Trustee shall not be responsible for determining or investigating whether any Local Obligation purchased pursuant to Section 5.03 is a Local Obligation, as defined herein, and the Trustee may conclusively rely on the Authority's determination and direction in this regard; provided, that the Trustee shall not acquire the Local Obligations other than pursuant to the

provisions of Section 5.03. The Trustee shall be entitled to rely conclusively on the covenants, representations and warranties of each obligor on any Local Obligation and in the documents and certificates delivered in connection therewith and each Written Order.

SECTION 9.05. Liability of Trustee. The recitals of facts herein and in the Authority Bonds contained shall be taken as statements of the Authority or the Community Facilities District, and the Trustee does not assume any responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency hereof or of the Authority Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Authority Bonds assigned to or imposed upon it; provided, that the Trustee shall be responsible for its representations contained in its certificate of authentication on the Authority Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee (in its individual or any other capacity) may become the Owner of Authority Bonds with the same rights it would have if it were not Trustee hereunder, and, to the extent permitted by law, may act as depository for and permit any of its officers, directors and employees to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Authority Bonds then Outstanding. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Authority Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder. Whether or not therein expressly so provided, every provision hereof or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

SECTION 9.06. Right to Rely on Documents; Adverse Effect Determinations. The Trustee may conclusively rely on and shall be protected in acting or refraining from acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel of its selection, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it hereby the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate, and such Officer's Certificate shall be full warrant to the Trustee for any action taken or suffered or omitted in good faith under the provisions hereof in reliance upon such Officer's Certificate, but the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall be entitled to advice of counsel of its selection and other professionals or agents concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable or liable for the acts or omissions of any agent, attorney-at-law, certified public accountant, or other professional if such agent, attorney-at-law, certified public accountant or other professional was selected by the Trustee with due care.

SECTION 9.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions hereof shall be retained in its possession in accordance with its record retention policies and shall be subject at all reasonable times upon prior written notice to the inspection of the Authority, the Owners of not less than a majority of the aggregate principal amount of the Outstanding Authority Bonds, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 9.08. Indemnity for Trustee. Before taking any action or exercising any rights or powers hereunder, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of any and all costs, claims and expenses which it may incur and to indemnify it against any and all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

ARTICLE X

EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF AUTHORITY BONDS

SECTION 10.01. Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted hereby to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor by different parties and may be signed or executed by such Owners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Authority Bonds shall be sufficient for any purpose hereof and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted by either of them under such instrument if made in the following manner:

(a) The fact and date of the execution by any Person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the Person signing such instrument acknowledged before him or her the execution thereof, or by an affidavit of a witness to such execution.

(b) The fact of the ownership of Authority Bonds hereunder by any Owner and the serial numbers of such Authority Bonds and the date of his ownership of the same shall be proved by the Bond Register.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters in this Article stated which shall be sufficient. Any request or consent of the Owner shall bind every future Owner of such Authority Bond and any Authority Bond or Authority Bonds issued in exchange or substitution therefor or upon the registration of transfer thereof in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XI

SUPPLEMENTAL TRUST AGREEMENTS

SECTION 11.01. Supplemental Trust Agreements with Consent of Owners. Any modification or alteration hereof or of the rights and obligations of the Authority, the Community Facilities District or the Owners may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Authority Bonds the consent of the Owners of which is required for any such modification or alteration or permit the creation by the Authority or the Community Facilities District of any lien prior to or on parity with the lien hereof upon the Trust Estate or which will affect the times, amounts and currency of payment of the interest on or principal of or redemption premiums, if any, on the Authority Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

SECTION 11.02. Supplemental Trust Agreements Without Consent of Owners. The Authority and the Community Facilities District may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of this Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Authority or the Community Facilities District contained herein other agreements and covenants thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority or the Community Facilities District; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained herein or in any Supplemental Trust Agreement;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject hereto additional collateral or to add other agreements of the Authority or the Community Facilities District;

(f) to modify this Trust Agreement or the Authority Bonds to permit qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Authority Bonds for sale under the securities laws of any state of the United States of America;

(g) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income tax purposes under the Code of the interest on the Authority Bonds or the exemption of interest on the Authority Bonds from State personal income taxes; or

(h) to evidence the succession of a successor Trustee.

For all purposes of this Section, the Trustee shall be entitled to conclusively rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel with respect to the extent, if any, to which any action affects the rights hereunder of any Owner.

SECTION 11.03. Trustee Authorized to Enter into Supplemental Trust Agreements. The Trustee is hereby authorized to enter into any Supplemental Trust Agreement with the Authority and the Community Facilities District authorized or permitted by the terms hereof, and to make the further agreements and stipulations which may be therein contained, and for all purposes of this Section the Trustee shall be entitled to conclusively rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement is authorized or permitted by the provisions hereof.

ARTICLE XII

DEFEASANCE

SECTION 12.01. Defeasance. If and when the Authority Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided herein, or otherwise, and the whole amount of the interest on and principal of redemption premiums, if any, so due and payable upon all of the Authority Bonds shall have been paid, or provision shall have been made for the payment of the same, together with all other sums payable hereunder by the Authority, including all fees and expenses of the Trustee, then and in that case, this Trust Agreement and the lien created hereby shall be completely discharged and satisfied and the Authority and the Community Facilities District shall be released from the respective agreements, conditions, covenants and terms of the Authority and the Community Facilities District contained herein, and the Trustee shall assign and transfer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances as provided in Section 12.04 and shall execute such documents as may be reasonably required by the Authority or the Community Facilities District in this regard.

Notwithstanding the satisfaction and discharge hereof, those provisions of this Trust Agreement relating to the maturity of the Authority Bonds, interest payments and dates thereof, exchange and transfer of Authority Bonds, replacement of mutilated, destroyed, lost or stolen Authority Bonds, the safekeeping and cancellation of Authority Bonds, nonpresentment of Authority Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owner, and the Trustee shall, subject to Section 13.06, continue to be obligated to hold in trust any money or investments then held by the Trustee for the payment of the interest on and principal of and redemption premiums, if any, on the Authority Bonds, to pay to the Owner of Authority Bonds the funds so held by the Trustee as and when such payments become due, and those provisions hereof contained in Section 9.04 relating to the compensation and indemnification of the Trustee and in Section 7.04 relating to the tax covenants of the Authority and the Community Facilities District shall remain in effect and shall be binding upon the Trustee, the Authority and the Community Facilities District.

SECTION 12.02. Authority Bonds Deemed to Have Been Paid. If any money shall have been set aside and held by the Trustee for the payment or redemption of any Authority Bonds and the interest installments therefor at the maturity thereof or date fixed for redemption, such Authority Bonds shall be deemed to be paid within the meaning and with the effect provided in Section 12.01. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in Section 12.01 if (a) in case any Authority Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions to mail notice of redemption of such Authority Bonds on such redemption date, such notice to be given in accordance with the provisions of Article IV, (b) there shall have been deposited with the Trustee in escrow either (i) money in an amount which shall be sufficient to pay when due the interest on and principal of and redemption premiums, if any, due and to become due on such Authority Bonds on and prior to the date scheduled for redemption or maturity date thereof, as the case may be, or (ii) noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, shall be sufficient as verified by a report of a nationally recognized independent certified public accountant to pay when due the interest on and principal of and redemption premiums, if any, due and to become due on such Authority Bonds on and prior to the date fixed for redemption or maturity date thereof, as the case may be, and (c) in the event any of such Authority Bonds are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV, a notice to the Owners of such Authority Bonds that the deposit required by (b) above has been made with the Trustee and that such Authority Bonds are deemed to have been paid in accordance with this Section and stating the maturity dates or redemption dates upon which money is to be available for the payment of the interest on and principal of and redemption premiums, if any, on such Authority Bonds. Neither the securities nor money deposited with the Trustee pursuant to this Section nor interest or principal payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of and redemption premiums, if any, on such Authority Bonds; provided, that any cash received from such interest or principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the written direction of the Authority, be reinvested in Government Obligations, such written direction to specify which Government Obligations are to be invested in, maturing at times and in amounts, together with the other money and payments with respect to Government Obligations then held by the Trustee pursuant to this Section, sufficient to pay when due the interest on and principal of and redemption premiums, if any, to become due on such Authority Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Authority as received by the Trustee free and clear of any trust, lien or pledge.

SECTION 12.03. Money Held for Particular Authority Bonds. Except as otherwise provided in Section 12.02 or 13.06, the amounts held by the Trustee for the payment of the interest on or principal of the redemption premiums, if any, or the interest due on any date with respect to particular Authority Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it solely for the Owners entitled thereto.

SECTION 12.04. Effect of Defeasance of Authority Bonds. Notwithstanding any other provision hereof, in the event that the Authority Bonds are defeased and the obligations hereunder are discharged pursuant to this Article, the Trustee shall transfer all property and money held by the Trustee (including, without limitation, the Local Obligations), to or upon the written order of the Authority.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. Dissolution of Authority. In the event of the dissolution of the Authority, all the agreements, conditions, covenants and terms contained herein by or on behalf of, or for the benefit of, the Authority shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

SECTION 13.02. Parties Interested Herein. Except as otherwise specifically provided herein, nothing contained herein, expressed or implied, is intended or shall be construed to confer upon any Person other than the Authority, the Community Facilities District, the Trustee and the Owners any right, remedy or claim under or by reason hereof, this Trust Agreement being intended to be for the sole and exclusive benefit of the Authority, the Community Facilities District, the Trustee and the Owners.

SECTION 13.03. Notice. All written notices to be given hereunder to the Authority or the Community Facilities District or the Trustee shall be given by mail or electronic means to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority: Folsom Ranch Financing Authority
50 Natoma Street
Folsom, CA 95630
Attention: Treasurer
Fax: 916-985-0870
Email: financetreasury@folsom.ca.us

If to the Community Facilities District:
City of Folsom
50 Natoma Street
Folsom, CA 95630
Attention: Finance Director
Fax: 916-985-0870
Email: financetreasury@folsom.ca.us

If to the Trustee: U.S. Bank Trust Company, National Association
 One California Street, Suite 1000
 San Francisco, CA 94111
 Attention: Global Corporate Trust
 Fax: 415-677-3769
 Email: karen.lei@usbank.com

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, upon the sender's receipt of an appropriate answer back or other written acknowledgment or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class mail deposited with the United States mail postage prepaid, seventy-two (72) hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, twenty-four (24) hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impractical to mail to the Owners notice of any event when such notice is required to be given pursuant to any provision hereof, then any manner of giving such notice as the Authority shall direct and not objected to by the Trustee shall be deemed to be a sufficient giving of such notice.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Trust Agreement and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the Authority to provide such Instructions and containing specimen signatures of such officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its reasonable judgment elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Community Facilities District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall be entitled to conclusively presume without liability that directions that purport to have been sent by an officer listed on the incumbency certificate provided to the Trustee have been sent by such officer. The Authority shall be responsible for ensuring that only officers transmit such Instructions to the Trustee and that the Authority and all officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs claims, or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written

instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee in writing immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 13.04. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided herein, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Trust Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 13.05. Limitation of Liability. The Authority shall not be obligated to make any payments required hereunder or under any Bond, or be deemed to incur any liability hereunder or by reason hereof or arising out of any of the transactions contemplated hereby, payable from any funds or assets other than the Trust Estate as provided herein.

SECTION 13.06. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on or principal of or redemption premiums, if any, on any Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable, shall be paid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such amounts; provided, that before being required to make any such payment to the Authority, the Trustee shall, at the expense and written direction of the Authority, give notice by first class mail to the Owners that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Authority.

SECTION 13.07. Governing Law. This Trust Agreement shall be governed as to validity, construction and performance by the laws of the State.

SECTION 13.08. Severability of Invalid Provisions. If any clause, provision or section hereof is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Trust Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein.

SECTION 13.09. Counterparts and Electronic Execution. This Trust Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall

be an original; but all of which such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Trust Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Trust Agreement as to the parties hereto and may be used in lieu of the original Trust Agreement and signature pages for all purposes. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Trust Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

SECTION 13.10. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Trust Agreement agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

SECTION 13.11. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, pandemics, epidemics, quarantine restrictions, recognized public emergencies, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

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IN WITNESS WHEREOF, the Authority has caused this Trust Agreement to be executed by the Treasurer, the Community Facilities District has caused this Trust Agreement to be executed in its name by the Finance Director of the City of Folsom, and the Trustee has caused this Trust Agreement to be executed by its authorized signatory, all as of the day and year first above written.

FOLSOM RANCH FINANCING AUTHORITY

By _____
Treasurer

CITY OF FOLSOM COMMUNITY FACILITIES
DISTRICT NO. 23 (FOLSOM RANCH)

By _____
Finance Director of the City of Folsom

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Trustee

By _____
Authorized Signatory

EXHIBIT A

FORM OF AUTHORITY BONDS

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

Unless this Authority Bond (as hereinafter defined) is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Trustee for registration of transfer, exchange, or payment, and any Authority Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT
NO. 23 (FOLSOM RANCH) IMPROVEMENT AREA NO. 1 SPECIAL TAX REVENUE
BOND, SERIES 2022

No. R-__ \$ _____

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	September 1, 20__	[____], 2022	344414[__]

Registered Owner: CEDE & CO.

Principal Sum: DOLLARS

The Folsom Ranch Financing Authority, a joint exercise of powers agency established pursuant to the laws of the State of California (the “Authority”), for value received hereby promises to pay to the registered owner specified above, or registered assigns, on the maturity date set forth above (subject to any right of prior redemption hereinafter mentioned) the principal sum set forth above and to pay interest thereon at the interest rate per annum set forth above. The interest on this Authority Bond will be calculated on the basis of a 360-day year consisting of twelve (12) 30-day calendar months and will be payable on March 1 and September 1 in each year (each an “Interest Payment Date”), commencing on [September 1, 2022], and is

payable by check, mailed by first class mail, on each Interest Payment Date to the registered owner whose name appears on the bond register maintained by the Corporate Trust Office (as defined in the Trust Agreement hereinafter referred to) of U.S. Bank Trust Company, National Association (together with any successor as Trustee under the Trust Agreement hereinafter mentioned, the "Trustee") as of the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), except with respect to defaulted interest for which a special record date will be established; provided, that in the case of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Authority Bonds, upon written request of such registered owner to the Trustee received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America. The principal hereof and the redemption premium hereon, if any, are payable upon presentation and surrender hereof at the Corporate Trust Office of the Trustee. Both the interest on and principal of and redemption premium, if any, hereon are payable in lawful money of the United States of America. All capitalized terms used herein but not otherwise defined shall have the meanings contained in the hereinafter mentioned Trust Agreement.

The Authority and the Trustee shall be entitled to conclusively treat the registered owner of this Authority Bond as the absolute owner hereof for the purpose of receiving payment as herein provided and for all other purposes, and the Authority and the Trustee shall not be affected by notice to the contrary.

This Authority Bond is one of a duly authorized issue of bonds of the Authority designated as the "Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022" (the "Authority Bonds") issued in the aggregate principal amount of [] dollars (\$[]) pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code, including the Marks-Roos Local Bond Pooling Act of 1985 (being California Government Code Sections 6584-6594) as amended and supplemented (the "Act"), and pursuant to a trust agreement executed and entered into as of May 1, 2022, by and among the Authority, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "Community Facilities District") and the Trustee (the "Trust Agreement"). The Authority Bonds are issued for the purpose of purchasing Local Obligations, and reference is hereby made to the Trust Agreement (a copy of which is on file at the Corporate Trust Office of the Trustee) and all trust agreements supplemental thereto and to the Act for a description of the purposes thereof, of the rights thereunder of the registered owner, of the nature and extent of the security for the Authority Bonds and of the rights, duties and immunities of the Trustee, of the obligations of the Community Facilities District, and of the rights and obligations of the Authority thereunder, to all the provisions of which Trust Agreement the registered owner of this Authority Bond, by acceptance hereof, assents and agrees.

The Authority Bonds and the interest thereon and any redemption premiums thereon are special, limited obligations of the Authority payable solely from the Trust Estate and are secured by the Trust Estate, including amounts held in the accounts and funds (other than the Rebate Fund) established pursuant to the Trust Agreement (including proceeds of the sale of the Authority Bonds), subject only to the provisions of the Trust Agreement permitting the application

thereof for the purposes and on the terms and conditions set forth in the Trust Agreement. No member or officer of the Authority, nor any person executing this Authority Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of this Authority Bond.

THE AUTHORITY BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE FROM, AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL OF AND ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE AUTHORITY BONDS IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF THE TRUST AGREEMENT, SOLELY FROM THE TRUST ESTATE. THE AUTHORITY BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE OBLIGATED TO PAY PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE AUTHORITY BONDS EXCEPT FROM THE TRUST ESTATE. NONE OF THE COMMUNITY FACILITIES DISTRICT, THE CITY OF FOLSOM (THE "CITY"), THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) NOR ANY MEMBER OF THE COMMUNITY FACILITIES DISTRICT OR THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE AUTHORITY BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMUNITY FACILITIES DISTRICT, THE CITY, THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY (INCLUDING THE CITY) OR THE COMMUNITY FACILITIES DISTRICT IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE AUTHORITY BONDS, AND NEITHER THE PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE AUTHORITY BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, THE CITY, THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

The Authority Bonds are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20[], from any source of available funds other than Minimum Sinking Fund Payments and Special Tax Prepayments, upon mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of the Authority Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or after September 1, 20[] through August 31, 20[];

102% if redeemed on any date from September 1, 20[] through August 31, 20[];

101% if redeemed on any date from September 1, 20[] through August 31, 20[]; and

100% if redeemed on September 1, 20[] and any date thereafter.

The Authority Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on any Interest Payment Date on or after September 1, 20[___], solely from funds derived from extraordinary redemption of Local Obligations from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Authority Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on an Interest Payment Date on or after September 1, 20[___] through March 1, 20[___];

102% if redeemed on an Interest Payment Date on September 1, 20[___] and March 1, 20[___];

101% if redeemed on an Interest Payment Date on September 1, 20[___] and March 1, 20[___]; and

100% if redeemed on September 1, 20[___] and any Interest Payment Date thereafter.

The Authority Bonds maturing on September 1, 20[___], are subject to mandatory redemption by the Authority prior to their stated maturity date in part on September 1 of each year on and after September 1, 20[___], to and including September 1, 20[___]; and the Authority Bonds maturing on September 1, 20[___], are subject to mandatory redemption by the Authority prior to their stated maturity date in part on September 1 of each year on and after September 1, 20[___], to and including September 1, 20[___], upon mailed notice as hereinafter provided, from (and in the amount of) the Minimum Sinking Fund Payment due and payable for the Authority Bonds on each such date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date of redemption, without premium.

Notice of redemption of any Authority Bonds shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the registered owners of such Authority Bonds (or portions thereof) so called for redemption, at their respective addresses as the same shall last appear on the Bond Register maintained by the Trustee; provided, that neither the failure of a registered owner to receive notice of redemption of Authority Bonds nor any error in such notice shall affect the validity of the proceedings for the redemption of Authority Bonds.

Any notice of optional redemption under the Trust Agreement may be rescinded by written notice given by the Authority to the Trustee no later than three (3) Business Days prior to the date specified for redemption. The Trustee shall give notice of rescission of the notice of optional redemption or non-satisfaction of any conditions specified in the notice of optional redemption as soon as practicable to the same parties and in the same manner as the notice of redemption was given.

The Authority Bonds are issuable as fully registered bonds in denominations of five thousand dollars (\$5,000) or any integral multiple in excess thereof. This Authority Bond may be transferred or exchanged by the registered owner hereof, in person or by an attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the

charges, if any, provided in the Trust Agreement, and upon surrender and cancellation of this Authority Bond. Upon such transfer or exchange, a new Authority Bond or Authority Bonds, of authorized denominations, for the same aggregate principal amount, interest rate and maturity will be issued to the transferee in accordance with the provisions of the Trust Agreement. The Trustee is not required to register the transfer of, or to exchange, any Authority Bond during the period established by the Trustee for selection of Authority Bonds for redemption or to register the transfer of, or to exchange, any Authority Bond which has been selected for redemption pursuant to the Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the registered owners of the Authority Bonds may be modified or amended from time to time and at any time (and in certain cases without the consent of such registered owners) in the manner, to the extent and upon the terms provided in the Trust Agreement.

The Trust Agreement contains provisions permitting the Authority to make provisions for the payment of the interest on, and the principal and premium, if any, of, any of the Authority Bonds so that such Authority Bonds shall no longer be deemed to be Outstanding under the terms of the Trust Agreement.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Authority Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California, including the Act, and that the amount of this Authority Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution and laws of the State of California, including the Act, and is not in excess of the amount of Authority Bonds permitted to be issued under the Trust Agreement.

This Authority Bond shall not be entitled to any benefit under the Trust Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by an authorized signatory of the Trustee.

IN WITNESS WHEREOF, the Folsom Ranch Financing Authority has caused this Authority Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Treasurer and attested by the facsimile signature of its Secretary, all as of May [], 2022.

FOLSOM RANCH FINANCING AUTHORITY

By: _____
Treasurer

Attest:

Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the Authority Bonds described in the within-mentioned Trust Agreement, which has been authenticated on the date below.

Dated: May [], 2022

U.S. Bank Trust Company, National Association
as Trustee

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto _____ this registered Authority Bond and irrevocably constitutes and appoints _____ attorney to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

NOTE: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee: _____.

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ATTACHMENT 4

FIRST SUPPLEMENTAL INDENTURE

between the

CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,

as Trustee

Relating to the

\$(_____)

CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23 (FOLSOM RANCH)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2022

Dated as of May 1, 2022

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FORM OF SERIES 2022 BONDS	

FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture (the “**First Supplemental Indenture**”), dated as of May 1, 2022, is between the CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23 (FOLSOM RANCH), organized and existing under and by virtue of the laws of the State of California (the “**Community Facilities District**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “**Trustee**”).

BACKGROUND

- A. The Community Facilities District and MUFG Union Bank, N.A., as trustee (the “**Original Trustee**”), duly executed an Indenture (the “**Master Indenture**”) dated as of October 1, 2020, which authorized the issuance of City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds (the “**Bonds**”) and provided for the issuance of the Bonds in series.
- B. U.S. Bank National Association (the “**Prior Trustee**”) succeeded and replaced the Original Trustee under the Master Indenture in accordance with its terms.
- C. The Trustee has succeeded and replaced the Prior Trustee under the Master Indenture in accordance with its terms.
- D. The Community Facilities District has determined to prescribe the terms, conditions, and form of \$[] aggregate principal amount of City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 (the “**Series 2022 Bonds**”) under the Master Indenture.
- E. The Community Facilities District has determined that all things necessary to cause the Series 2022 Bonds, when duly executed by the Community Facilities District and authenticated by the Trustee and delivered as provided herein, to be legal and valid special tax obligations of the Community Facilities District enforceable in accordance with their terms, and to constitute this First Supplemental Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Series 2022 Bonds, subject to the terms hereof, have in all respects been duly authorized.
- F. The Folsom Ranch Financing Authority (the “**Authority**”) has agreed to purchase the Series 2022 Bonds pursuant to a Local Obligation Purchase Contract between the Authority and the Community Facilities District dated [], 2022 (the “**2022 Local Obligation Purchase Contract**”), with a portion of the proceeds of the Authority’s City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**2022 Authority Bonds**”).

NOW, THEREFORE, in order to secure the payment of the interest on and the principal of and the redemption premiums, if any, on all Series 2022 Bonds at any time issued and outstanding

hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants, and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Series 2022 Bonds will be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Series 2022 Bonds by the registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Community Facilities District does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Series 2022 Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

- (a) Except as otherwise provided herein, all terms defined in Section 1.01 of the Master Indenture have the same definitions in this First Supplemental Indenture that are given to them in Section 1.01 of the Master Indenture.
- (b) Unless the context otherwise requires, the terms defined in this Section 1.01(b) have the meanings set forth, and those meanings apply for all purposes of this First Supplemental Indenture, of the Master Indenture, of the Series 2022 Bonds, and of any certificate, opinion, report, request, or other document mentioned herein or therein; and those meanings apply equally to both the singular and plural forms of the terms:

“2022 Authority Bonds” means the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022.

“2022 Authority Trustee” means U.S. Bank Trust Company, National Association, as trustee under the 2022 Trust Agreement.

“2022 Local Obligation Purchase Contract” means the Local Obligation Purchase Contract between the Community Facilities District and the Authority providing for the sale of the Series 2022 Bonds.

“2022 Trust Agreement” means that certain Trust Agreement, dated as of May 1, 2022, among the Authority, the Community Facilities District and the 2022 Authority Trustee, as trustee for the 2022 Authority Bonds.

“Capitalized Interest Account” means the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds Capitalized Interest Account established pursuant to Section 2.14 of the Master Indenture and reestablished pursuant to Section 2.07 of this First Supplemental Indenture.

“Costs of Issuance Fund” means the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds Costs of Issuance Fund

established pursuant to Section 2.16 of the Master Indenture and reestablished pursuant to Section 2.08 of this First Supplemental Indenture.

“First Supplemental Indenture” means this First Supplemental Indenture dated as of May 1, 2022, between the Community Facilities District and the Trustee entered into under the Law and the Master Indenture.

“Master Indenture” means the Indenture dated as of October 1, 2020, between the Community Facilities District and the Trustee entered into under the Law.

“Series 2022 Acquisition and Construction Account” means the account by that name established in the Acquisition and Construction Fund pursuant to Section 2.06 of this First Supplemental Indenture.

“Series 2022 Bond Reserve Account” means the account by that name established in the Bond Reserve Fund pursuant to Section 2.06 of this First Supplemental Indenture.

“Series 2022 Bonds” means the Bonds referred to by that name authorized to be issued by the Master Indenture and Article II of this First Supplemental Indenture.

“Series 2022 Costs of Issuance Account” means the account by that name established in the Costs of Issuance Fund pursuant to Section 2.06 of this First Supplemental Indenture.

“Term Series 2022 Bonds” means the Series 2022 Bonds that are Term Bonds.

ARTICLE II

ISSUANCE OF SERIES 2022 BONDS

SECTION 2.01. Authorization of Series 2022 Bonds. The City Council, as legislative body of the Community Facilities District, has reviewed all proceedings heretofore taken relative to the authorization of the Series 2022 Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions, and things required by law to exist, happen, and be performed precedent to and in the issuance of the Series 2022 Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Law. Accordingly, the Community Facilities District is now authorized, under every requirement of the Law, the Master Indenture, and this First Supplemental Indenture, to issue the Series 2022 Bonds in the form and manner provided herein, which Series 2022 Bonds will be entitled to the benefit, protection, and security of the Law, the Master Indenture, and this First Supplemental Indenture. The purpose for which the Series 2022 Bonds are to be issued is to provide funds to finance the acquisition and construction of certain of the Facilities, make a deposit to the Series 2022 Bond Reserve Account, make a deposit to the Capitalized Interest Account to fund interest on the Series 2022 Bonds through [September 1, 2022], and to pay the Costs of Issuance of the Series 2022 Bonds.

SECTION 2.02. Registration of Series 2022 Bonds. Notwithstanding Section 2.11 of the Master Indenture, the Series 2022 Bonds shall be registered in the name of the 2022 Authority Trustee, as trustee for the Authority, and delivered to the 2022 Authority Trustee upon

the issuance thereof in accordance with the provisions of the 2022 Local Obligation Purchase Contract.

SECTION 2.03. Terms of Series 2022 Bonds.

- (a) The Series 2022 Bonds will be issued in the aggregate principal amount of \$[_____]; will be designated the “City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022;” will be dated the date of the original delivery thereof; will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof; and will mature on the dates and in the principal amounts and bear interest (computed on a 360-day year of twelve 30-day calendar months) at the rates per annum, payable semiannually on March 1 and September 1 in each year, commencing on [September 1, 2022], as follows:

Maturity Date (September 1)	Principal Amount	Interest Rate
2022	\$	%

* Term Bonds

- (b) Minimum Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Series 2022 Bonds maturing on September 1, 20[___], which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the Series 2022 Bonds maturing on September 1, 20[___] shall have been

optionally or extraordinarily redeemed under Section 2.04 of this First Supplemental Indenture, the amounts of the Minimum Sinking Fund Account Payments for the Series 2022 Bonds maturing on September 1, 20[] shall be reduced proportionately by the principal amount of all such Series 2022 Bonds so optionally or extraordinarily redeemed), namely:

<u>Year Ending</u> <u>September 1</u>	<u>Minimum Sinking Fund</u> <u>Account Payment</u>
	\$

*

* Maturity

Minimum Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Series 2022 Bonds maturing on September 1, 20[], which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the Series 2022 Bonds maturing on September 1, 20[] shall have been optionally or extraordinarily redeemed under Section 2.04 of this First Supplemental Indenture, the amounts of the Minimum Sinking Fund Account Payments for the Series 2022 Bonds maturing on September 1, 20[] shall be reduced proportionately by the principal amount of all such Series 2022 Bonds so optionally or extraordinarily redeemed), namely:

<u>Year Ending</u> <u>September 1</u>	<u>Minimum Sinking Fund</u> <u>Account Payment</u>
	\$

*

* Maturity

All such Minimum Sinking Fund Account Payments shall be deposited in the Sinking Fund Subaccount. All money in the Sinking Fund Subaccount representing such Minimum Sinking Fund Account Payments shall be used and withdrawn by the Trustee (upon receipt of a Written Request of the Community Facilities District) at any time for the purchase of the Term Series 2022 Bonds at public or private sales as and when and at such prices (including brokerage and other charges) as the Community Facilities District may in its discretion determine, but not to exceed the principal amount of such Term Series 2022 Bonds. All money in the Sinking Fund Subaccount representing such Minimum Sinking Fund Account Payments on September 1 of each year during the period beginning on September 1, 20[], and

ending on September 1, 20[___], both dates inclusive, shall be used and withdrawn by the Trustee on each such September 1 for the mandatory redemption or payment of the Term Series 2022 Bonds maturing on September 1, 20[___]; and all money in the Sinking Fund Subaccount representing such Minimum Sinking Fund Account Payments on September 1 of each year during the period beginning on September 1, 20[___], and ending on September 1, 20[___], both dates inclusive, shall be used and withdrawn by the Trustee on each such September 1 for the mandatory redemption or payment of the Term Series 2022 Bonds maturing on September 1, 20[___]; and the Community Facilities District hereby agrees and covenants with the Holders of the Term Series 2022 Bonds to call and redeem in accordance with Article III of the Master Indenture or pay the Term Series 2022 Bonds from the Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount under this paragraph whenever on September 1 of any year, beginning on September 1, 2022, there is money in the Sinking Fund Subaccount available for such purpose.

SECTION 2.04. Redemption Prices of Series 2022 Bonds.

- (a) The Series 2022 Bonds are subject to optional redemption by the Community Facilities District prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20[___], from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount or such prepayments of the Special Tax, upon mailed notice as provided in the Master Indenture, at the following redemption prices (computed upon the principal amount of the Series 2022 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on any date on or after September 1, 20[___] through August 31, 20[___];

102% if redeemed on any date from September 1, 20[___] through August 31, 20[___];

101% if redeemed on any date from September 1, 20[___] through August 31, 20[___]; and

100% if redeemed on September 1, 20[___] and any date thereafter.

- (b) The Series 2022 Bonds are subject to extraordinary redemption by the Community Facilities District prior to their respective maturity dates, as a whole or in part on any interest payment date on or after September 1, 20[___], from funds derived by the Community Facilities District from prepayments of the Special Tax, upon mailed notice as provided in the Master Indenture, at the following redemption prices (computed upon the principal amount of the Series 2022 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on an interest payment date on or after September 1, 20[] through March 1, 20[];

102% if redeemed on an interest payment date on September 1, 20[] or March 1, 20[];

101% if redeemed on an interest payment date on September 1, 20[] or March 1, 20[]; and

100% if redeemed on September 1, 20[] or any interest payment date thereafter.

- (c) The Term Series 2022 Bonds are subject to mandatory redemption by the Community Facilities District before their stated maturity date as provided in Section 2.03 hereof solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount, upon mailed notice as provided in the Master Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

SECTION 2.05. Form of Series 2022 Bonds. The Series 2022 Bonds and the authentication and registration endorsements and the assignment to appear thereon must be substantially in the forms set forth in Exhibit A hereto, with such variations, insertions, or omissions as are appropriate and not inconsistent herewith.

SECTION 2.06. Application of Proceeds of Sale of Series 2022 Bonds. Upon the receipt of payment of the purchase price of the Series 2022 Bonds when the Series 2022 Bonds shall have been duly sold by the Community Facilities District, the Trustee shall deposit such proceeds of sale of the Series 2022 Bonds into a temporary account called the Proceeds Fund which the Trustee shall establish, maintain and hold in trust, and which shall be disbursed in full on the date of receipt (whereupon said temporary account shall be closed) in the following order:

- (a) *First*, the Trustee shall deposit \$[] in the Series 2022 Bond Reserve Account, which the Trustee shall establish and maintain as a Bond Reserve Account within the Bond Reserve Fund, which amount equals the Required Bond Reserve for the Series 2022 Bonds as of the date of issuance of the Series 2022 Bonds.
- (b) *Second*, the Trustee shall deposit \$[] in the Series 2022 Costs of Issuance Account, which the Trustee shall establish and maintain within the Costs of Issuance Fund.
- (c) *Third*, the Trustee shall deposit \$[] in the Capitalized Interest Account.
- (d) *Fourth*, the Trustee shall deposit \$[] in the Series 2022 Acquisition and Construction Account, which the Trustee shall establish and maintain within the Acquisition and Construction Fund.

SECTION 2.07. Capitalized Interest Account. There is hereby reestablished a fund to be known as the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds Capitalized Interest Account. On the following date, the Trustee shall transfer the amount from the Capitalized Interest Account to the Redemption Account for the payment of interest due on the Series 2022 Bonds:

Date of Transfer	Amount
[]	\$[]

On the date set forth in the table immediately above, the amount set forth shall be transferred from the Capitalized Interest Account to the Redemption Account for the payment of interest due on the Series 2022 Bonds. The Capitalized Interest Account will be closed following the last date of transfer.

SECTION 2.08. Costs of Issuance Fund. There is hereby reestablished a fund to be known as the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds Costs of Issuance Fund, to be held and administered by the Trustee. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt of a Written Request of the Community Facilities District filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against such fund; provided, that on November [], 2022, or upon a prior determination by the Community Facilities District that all Costs of Issuance relating to the Series 2022 Bonds have been paid (as set forth in a Certificate of the Community Facilities District so determining filed with the Trustee), any balance of money remaining in the Series 2022 Costs of Issuance Account within the Costs of Issuance Fund shall be withdrawn from the Series 2022 Costs of Issuance Account by the Trustee and transferred to the Acquisition and Construction Fund. The Series 2022 Costs of Issuance Account will be closed following the last date of transfer.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Authority for First Supplemental Indenture. This First Supplemental Indenture is executed in accordance with the Law, is supplemental to the Master Indenture, and is executed in accordance with Articles II and VII of the Master Indenture.

SECTION 3.02. Covenant of the Community Facilities District Against Federal Income Taxation. Notwithstanding Section 5.03 of the Master Indenture, the Community Facilities District will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Series 2022 Bonds pursuant to Section 103 of the Code, and specifically the Community Facilities District will not directly or indirectly use or make any use of the proceeds of the 2022 Authority Bonds or any other funds of the Community Facilities District or take or omit to take any action that would cause the 2022 Authority Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation

because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the Community Facilities District, with respect to the proceeds of the Series 2022 Bonds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect; provided, that if the Community Facilities District shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2022 Authority Bonds pursuant to Section 103 of the Code, the Community Facilities District may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the Community Facilities District is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any money held by the Finance Director, for and on behalf of the Community Facilities District, hereunder or otherwise the Community Facilities District shall so instruct the Finance Director in writing, and the Finance Director shall take such action as may be necessary in accordance with such instructions.

SECTION 3.03. Covenant of the Community Facilities District Relating to Maximum Facilities Special Tax Coverage. The Community Facilities District covenants to not approve any amendments, changes or modifications relating to development of the property within the Improvement Area that would reduce the amount of the Maximum Facilities Special Tax less Priority Administrative Expenses to equal less than one hundred ten percent (110%) of the sum of the Annual Debt Service on the Bonds in any year until the maturity date for the Bonds.

SECTION 3.04. Statements of Fund and Accounts. For so long as any Bonds are Outstanding, the Trustee shall provide a monthly accounting of all funds and accounts held pursuant to the Master Indenture and any supplements thereto, including the First Supplemental Indenture, to the Community Facilities District within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within ninety (90) days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any accounts and funds created under the Master Indenture or any supplements thereto, including the First Supplemental Indenture, as of the beginning and the close of such accounting period.

SECTION 3.05. Amendment to Section 10.14 of the Master Indenture. Pursuant to Section 7.01(b) of the Master Indenture, Section 10.14 of the Master Indenture is hereby amended to replace the contact information for the Trustee therein with the information included below.

If to the Trustee:

U.S. Bank Trust Company, National Association
 One California Street, Suite 1000
 San Francisco, CA 94111
 Attention: Global Corporate Trust
 Fax: 415-677-3769
 Email: karen.lei@usbank.com

SECTION 3.06. Terms of Series 2022 Bonds Subject to the Master Indenture.

Except as expressly provided in this First Supplemental Indenture, every agreement, condition, covenant, and term in the Master Indenture applies to this First Supplemental Indenture and to the Series 2022 Bonds with the same force and effect as if they were set forth at length in this First Supplemental Indenture, with such omissions, variations, and modifications as may be appropriate to conform them to this First Supplemental Indenture.

SECTION 3.07. Effective Date of First Supplemental Indenture. This First

Supplemental Indenture takes effect from and after its execution and delivery.

[Remainder of page intentionally blank.]

IN WITNESS WHEREOF, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) has caused this First Supplemental Indenture to be signed in its name by the Finance Director of the City of Folsom, and U.S. Bank Trust Company, National Association, as Trustee, in token of its acceptance of the trusts created hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By: _____
Stacey Tamagni
Finance Director of the City of Folsom

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee**

By _____
Authorized Officer

EXHIBIT A
FORM OF SERIES 2022 BONDS

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX BOND, SERIES 2022

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated as of</u>
_____ %	September 1, 20__	[_____] , 2022

REGISTERED OWNER: U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
AS TRUSTEE FOR THE FOLSOM RANCH FINANCING
AUTHORITY

PRINCIPAL AMOUNT: DOLLARS

The City of Folsom Community Facilities District No. 23 (Folsom Ranch), organized and existing under and pursuant to the laws of the State of California (the "Community Facilities District"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds as described herein) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon computed on the basis of a 360-day year of twelve (12) 30-day calendar months from the interest payment date next preceding the date of registration of this Series 2022 Bond (unless this Series 2022 Bond is registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event it shall bear interest from such interest payment date, or unless this Series 2022 Bond is registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event it shall bear interest from its dated date) until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on [September 1, 2022], and semiannually thereafter on September 1 and March 1 in each year. The interest on and principal of and redemption premium, if any, on this Series 2022 Bond are payable in lawful money of the United States of America at the Corporate Trust Office (as that term is defined in the Indenture hereinafter referred to, and herein the "Corporate Trust Office") of U.S. Bank Trust Company, National Association, or any other bank or trust company at its Corporate Trust Office, which may

at any time be substituted in its place as provided in the Indenture hereinafter described, the Trustee of the Community Facilities District for the Bonds (the "Trustee"). The interest on this Series 2022 Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail on each such interest payment date to such registered owner at his or her address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds then Outstanding, payment shall be made at such owner's option by wire transfer on each such interest payment date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America according to written instructions provided by such owner to the Trustee at least fifteen (15) days before such interest payment date. The principal of and redemption premium, if any, on this Series 2022 Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Series 2022 Bond at the Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Notwithstanding the foregoing, the Trustee may agree with the Holder of this Series 2022 Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on this Series 2022 Bond a record of partial payment of the principal of this Series 2022 Bond as follows:

PAYMENTS ON ACCOUNT OF PRINCIPAL

Payment Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Signature of Holder
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

This Series 2022 Bond is one of a duly authorized issue of bonds in the aggregate principal amount of [_____] dollars (\$[_____]) issued by the Community Facilities District located in the City of Folsom (the "City"), designated the "City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022" (the "Series 2022 Bonds"), which Series 2022 Bonds are issued under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (the "Law") and under and pursuant to the provisions of an Indenture, dated as of October 1, 2020 (as supplemented, the "Master Indenture"), between the Community Facilities District and the Trustee, as successor trustee to MUFG Union Bank, N.A., which Master Indenture authorized the issuance in various series from time to time of "City of Folsom Community Facilities District

No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds” (the “Bonds”), and a First Supplemental Indenture (the “First Supplemental Indenture,” and together with the Master Indenture, the “Indenture”) supplemental thereto, dated as of May 1, 2022, between the Community Facilities District and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions of the Series 2022 Bonds), and all capitalized terms used herein not otherwise defined shall have the meanings contained in the Indenture. All the Series 2022 Bonds are payable on a parity with all other Bonds issued under the Master Indenture in accordance with the terms and conditions of the Indenture (copies of which are on file at the office of the City Clerk of the City and at the above-mentioned office of the Trustee), and reference is hereby made to the Law and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Series 2022 Bonds are issued and for the rights of the registered owners of the Series 2022 Bonds; and all the terms of the Law and the Indenture are hereby incorporated herein and constitute a contract between the Community Facilities District and the registered owner from time to time of this Series 2022 Bond, to all the provisions of which the registered owner of this Series 2022 Bond, by his or her acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Indenture and shall be bound by all the terms and conditions thereof.

The Series 2022 Bonds are issued to provide funds to pay costs of the acquisition and construction of the Facilities, make a deposit to the Series 2022 Bond Reserve Account, pay Costs of Issuance of the Series 2022 Bonds in accordance with the Indenture and pay interest on the Series 2022 Bonds to [September 1, 2022]. The Series 2022 Bonds are special tax obligations of the Community Facilities District and the interest on and principal of and redemption premiums, if any, on the Series 2022 Bonds are payable solely from the proceeds of the Special Tax, net of Priority Administrative Expenses, and certain other funds, as provided in the Indenture, and the Community Facilities District is not obligated to pay them except from the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds. The General Fund of the City and the funds of the Community Facilities District are not liable and neither the full faith and credit of the Community Facilities District nor the City are pledged for the payment of the interest on or the principal of or the redemption premiums, if any, on the Series 2022 Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or the principal of or the redemption premiums, if any, on the Series 2022 Bonds. The Series 2022 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Community Facilities District or any of its income or receipts except the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds, and neither the payment of the interest on or the principal of or the redemption premiums, if any, on the Series 2022 Bonds is a general debt, liability or obligation of the Community Facilities District.

The Series 2022 Bonds maturing on September 1, 20[___], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[___] through 20[___], both years inclusive; and the Series 2022 Bonds maturing on September 1, 20[___], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[___] through 20[___], both years inclusive, in each case solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount, upon mailed notice as hereinafter provided,

at a redemption price of one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date of redemption.

The Series 2022 Bonds are subject to optional redemption by the Community Facilities District prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20[], from funds derived by the Community Facilities District from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount or such prepayments of the Special Tax, upon mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of the Series 2022 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on any date on or after September 1, 20[] through August 31, 20[];

102% if redeemed on any date from September 1, 20[] through August 31, 20[];

101% if redeemed on any date from September 1, 20[] through August 31, 20[]; and

100% if redeemed on September 1, 20[] and any date thereafter.

The Series 2022 Bonds are subject to extraordinary redemption by the Community Facilities District prior to their respective maturity dates, as a whole or in part on any interest payment date on and after September 1, 20[], from funds derived by the Community Facilities District from prepayments of the Special Tax, upon mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of the Series 2022 Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on an interest payment date on or after September 1, 20[] through March 1, 20[];

102% if redeemed on an interest payment date on September 1, 20[] or March 1, 20[];

101% if redeemed on an interest payment date on September 1, 20[] or March 1, 20[]; and

100% if redeemed on September 1, 20[] or any interest payment date thereafter.

If less than all the Series 2022 Bonds are to be redeemed as a result of prepayments of the Special Tax at any one time, the Series 2022 Bonds shall be redeemed pro rata by maturity. If less than all the Series 2022 Bonds are to be redeemed at the option of the Community Facilities District at any one time, the Series 2022 Bonds of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of the Series 2022 Bonds maturing prior

thereto, and if less than all the Series 2022 Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Series 2022 Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in a manner that it deems appropriate and fair.

Notice of redemption of this Series 2022 Bond or any portion hereof shall be mailed by the Trustee to the registered owner hereof and to those securities depositories and securities information services selected by the Community Facilities District in accordance with the Indenture, but neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. Any notice of optional redemption may be rescinded by written notice given by the Community Facilities District to the Trustee no later than three (3) Business Days prior to the date specified for redemption. The Trustee shall give notice of rescission of the notice of optional redemption or non-satisfaction of any conditions specified in the notice of optional redemption as soon as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to the Indenture.

If notice of redemption has been duly given and not rescinded as aforesaid and money sufficient for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, this Series 2022 Bond or portion thereof so called for redemption has been irrevocably deposited with the Trustee, then this Series 2022 Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Series 2022 Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Series 2022 Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Series 2022 Bond or the portion thereof to be redeemed, and upon surrender of this Series 2022 Bond if redeemed in part only, the Community Facilities District shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the Community Facilities District a new Series 2022 Bond or Series 2022 Bonds equal in aggregate principal amount to the unredeemed portion of this Series 2022 Bond so surrendered.

The Community Facilities District has covenanted that, so long as any Series 2022 Bonds are outstanding, it will annually levy the Special Tax against all Taxable Property in the Improvement Area and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Redemption Account, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Series 2022 Bonds as they become due and payable and to replenish each Bond Reserve Account established under the Indenture and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Series 2022 Bonds are issuable in the form of fully registered bonds. The registered owner of any Series 2022 Bond or Series 2022 Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney) in exchange for an equal aggregate principal amount

of Series 2022 Bonds of the same series and maturity date in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Series 2022 Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his or her duly authorized attorney upon surrender of this Series 2022 Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new Series 2022 Bond or Series 2022 Bonds of the same series and maturity date in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and terms and upon payment of the charges provided in the Indenture. The Community Facilities District and the Trustee shall be entitled to conclusively treat the person in whose name this Series 2022 Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and redemption premium, if any, hereon and for all other purposes.

The rights and obligations of the Community Facilities District and of the registered owners of the Series 2022 Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, and in certain circumstances without the consent of such registered owners, but no such amendment shall (1) extend the maturity of this Series 2022 Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Community Facilities District to pay the interest hereon or principal hereof or Minimum Sinking Fund Account Payment herefor or redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Series 2022 Bond, or (2) permit the issuance by the Community Facilities District of any obligations payable from the proceeds of the Special Tax other than as provided in the Indenture, or jeopardize the ability of the Community Facilities District to levy and collect the Special Tax, or (3) reduce the percentage of Series 2022 Bonds required for the written consent to an amendment of the Indenture, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indenture.

The Series 2022 Bonds do not constitute an indebtedness of the Community Facilities District within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council of the City nor the Community Facilities District nor any officer or employee thereof or of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Series 2022 Bonds otherwise than from the proceeds of the Special Tax, net of Priority Administrative Expenses, and such other funds, as provided in the Indenture.

This Series 2022 Bond shall not be entitled to any benefits under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2022 Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2022 Bond, together with all other obligations of the Community Facilities District, does not exceed any limit prescribed by the laws of the State of

California and is not in excess of the principal amount of the Series 2022 Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) has caused this Series 2022 Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, and has caused this Series 2022 Bond to be dated [_____], 2022.

CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)

By _____
Mayor of the City of Folsom

Countersigned:

City Clerk of the City of Folsom

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON SERIES 2022 BONDS]

This is one of the Series 2022 Bonds described in the within-mentioned Indenture which has been authenticated on [_____], 2022.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON SERIES 2022 BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Series 2022 Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

ATTACHMENT 5

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2022**NEW ISSUE-BOOK-ENTRY ONLY****NOT RATED**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

\$13,235,000*

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

Dated: Date of Delivery**Due: September 1, as shown on inside front cover**

The Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the "Bonds") are being issued by the Folsom Ranch Financing Authority (the "Authority") to provide funds to finance the purchase of limited obligation special tax bonds (the "Local Obligations"), issued by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "District"). The purchase price of the Local Obligations will be used to finance the acquisition and construction of certain public facilities, fund a debt service reserve account, fund capitalized interest to September 1, 2022, and pay certain costs of issuance of the Local Obligations and Bonds.

The Bonds are being issued by the Authority pursuant to a Trust Agreement (the "Trust Agreement") among the District, the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and will be secured by a pledge of the Trust Estate, as defined herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by a lien of the Special Taxes (defined herein) levied upon property within Improvement Area No. 1 of the District (the "Improvement Area"), as more fully described herein. Payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due.

The Local Obligations are secured by the lien of the net Special Taxes on parity with the 2020 IA1 Obligations and any Additional Local Obligations (each defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Terms of the Local Obligations."

The Local Obligations Indenture (defined herein) for the Local Obligations establishes a debt service reserve fund (the "Local Obligations Reserve Fund") with a debt service reserve account therein for the Local Obligations (the "Local Obligations Reserve Account"). Pursuant to the Local Obligations Indenture, a deposit is being made to the Local Obligations Reserve Account for the Local Obligations. **Amounts available from the Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on the Bonds.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Terms of the Local Obligations—*Local Obligations Reserve Account.*"

The Bonds are being issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and interest thereon is payable on March 1 and September 1 of each year, commencing September 1, 2022, by the Trustee to DTC. DTC will in turn remit principal or redemption price and interest to the DTC participants, which will in turn remit such principal or redemption price and interest to the Beneficial Owners of the Bonds, as described herein. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form in the principal amount of \$5,000 or integral multiple thereof. Purchasers of the Bonds will not receive instruments representing their interest in the Bonds purchased. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds are subject to optional, extraordinary and mandatory redemption as described herein.* See "THE BONDS—Redemption Provisions."

* Preliminary, subject to change.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF FOLSOM (THE AUTHORITY), THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, THE DISTRICT OR THE CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED PRIMARILY FROM PAYMENT ON THE LOCAL OBLIGATIONS FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN THE IMPROVEMENT AREA AS MORE FULLY DESCRIBED HEREIN.

The Bonds are not rated by any rating agency. Investment in the Bonds involves a substantial degree of risk that may not be appropriate for some investors. See "CERTAIN RISKS TO BONDHOLDERS" for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

This cover page contains information for general reference only and it is *not* a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Maturity Schedule, Interest Rates, Prices and CUSIPS
(See inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority and the District by the City Attorney. Certain legal matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, a Professional Corporation. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about [_____], 2022.

Piper Sandler & Co.

The date of this Official Statement is _____, 2022.

\$13,235,000*
FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022

MATURITY SCHEDULE, INTEREST RATES, PRICES AND CUSIPS

Maturity (September 1)	Principal Amount	Interest Rate	Price	CUSIP No. [†] (344414)
	\$	%		

\$ _____ % Term Bond maturing September 1, 20__ Price _____ (CUSIP No.[†] 344414 _____)
 \$ _____ % Term Bond maturing September 1, 20__ Price _____ (CUSIP No.[†] 344414 _____)

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. The Authority, the District, the Underwriter and the City take no responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the Authority, the District or the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor is it to be construed as a representation of such by the Authority, the District or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District or the property owners in the Improvement Area, or in the condition of the property in the Improvement Area, since the date hereof.

The summaries and references to the Trust Agreement, the Mello-Roos Act, the Local Obligations Indenture and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

BOUNDARY MAP

**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)
IMPROVEMENT AREA NO. 1**

AUTHORITY GOVERNING BOARD/CITY COUNCIL

Kerri Howell, *Chair / Mayor*
Rosario Rodriguez, *Vice Chair / Vice Mayor*
Sarah Aquino, *Member / Councilmember*
YK Chalamcherla, *Member / Councilmember*
Mike Kozlowski, *Member / Councilmember*

AUTHORITY/CITY STAFF

Elaine Andersen, *Executive Director / City Manager*
Stacey Tamagni, *Treasurer / Finance Director*
Steven Wang, Esq., *General Counsel / City Attorney*
Christa Freemantle, *Secretary / City Clerk*

SPECIAL SERVICES

BOND AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.

TRUSTEE

U.S. Bank Trust Company, National Association

SPECIAL TAX CONSULTANT

NBS

APPRAISER

Integra Realty Resources

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\$13,235,000*
FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement (defined below) or the Local Obligations Indenture (defined below), as applicable.

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Folsom Ranch Financing Authority (the “Authority”) of \$13,235,000* aggregate principal amount of Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”).

Authority for Issuance

The Bonds will be issued pursuant to the provisions of the Trust Agreement (the “Trust Agreement”) among the Authority, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”), and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as authorized pursuant to a resolution of the Authority. The Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Bonds will be issued as fully registered bonds in book-entry form, in denominations of \$5,000 each or any integral multiple thereof and will be dated the date of delivery thereof and bear interest at the rates set forth on the inside front cover page hereof. See “THE BONDS—Description of the Bonds.”

Purpose

The Bonds are being issued to finance the purchase of the limited obligation special tax bonds (the “Local Obligations”), issued by the District pursuant to an Indenture (as supplemented and amended, the “Local Obligations Indenture”) between the District and U.S. Bank Trust Company, National Association, as successor trustee to U.S. Bank National Association, as successor trustee to MUFG Union Bank, N.A., as trustee (the “Local Obligations Trustee”), as supplemented and amended by a First Supplemental Indenture (the “First Supplemental Indenture”) between the District and the Local Obligations Trustee. The purchase price of the Local Obligations will be used to finance the acquisition and construction of certain public facilities, fund a debt service reserve account, fund capitalized interest to September 1, 2022, and pay certain costs of issuance of the Local Obligations and Bonds. See “PLAN OF FINANCE” and “THE IMPROVEMENT AREA.”

* Preliminary, subject to change.

The Local Obligations are authorized pursuant to (i) the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the “Mello-Roos Act”), (ii) a resolution of the City Council of the City of Folsom (the “City”) as legislative body of the District adopted on April 12, 2022, and (iii) the Local Obligations Indenture. The Local Obligations are payable from the special taxes authorized to be levied and collected annually upon taxable real property within Improvement Area No. 1 of the District (the “Improvement Area”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—General.”

Security for the Bonds

The Bonds are special, limited obligations of the Authority, payable from and secured by the Trust Estate (as defined herein) received by the Authority consisting primarily of payments received from the District as debt service payments on the Local Obligations.

The Local Obligations will be issued with an annual scheduled debt service schedule that results in at least 110% annual debt service coverage for the Local Obligations and the 2020 IA1 Obligations from Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues for Developed Property and Effective Tax Rate Evaluation Minimum Facilities Revenues for Small Lot Final Map Property expected to be generated in the Improvement Area (except for Lots C and D), net of Priority Administrative Expenses (each as defined below). Although the scheduled payments under the Local Obligations are sufficient, in the aggregate, to provide the Authority with moneys to pay the principal of, premium, if any, and interest on the Bonds when due (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS”), investment in the Bonds involves a substantial degree of risk that may not be appropriate for some investors. See “CERTAIN RISKS TO BONDHOLDERS” below.

The Local Obligations are secured by a pledge of special taxes received by the District (the “Special Tax” or the “Special Taxes,” as the context requires) (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Local Obligations Indenture), net of Priority Administrative Expenses, and the Local Obligations Reserve Account established under the Local Obligations Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Special Taxes are included on the regular property tax bill sent to the record owners of taxable properties within the Improvement Area. The District has covenanted in the Local Obligations Indenture to commence judicial foreclosure proceedings against property with delinquent Special Taxes and to diligently pursue such proceedings to completion; provided, however, that the District is not obligated under the Local Obligations Indenture to commence such judicial foreclosure proceedings on any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County of Sacramento (the “County”) pursuant to the Teeter Plan (described below). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Payment of the Local Obligations,” “—Special Tax Authorization,” “—Covenant for Foreclosure” and “—The Teeter Plan.”

The Special Taxes secure only the Local Obligations and the 2020 IA1 Obligations (as defined herein). For this reason, a delinquency or default in the payment of Special Taxes could cause a default in the payments of principal and interest on the Bonds if moneys in the Local Obligations Reserve Account are insufficient to make up the deficit in debt service for the Local Obligations caused by such delinquency or nonpayment.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE DISTRICT, THE AUTHORITY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO

OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, THE DISTRICT OR THE CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED PRIMARILY FROM DEBT SERVICE PAYMENTS ON THE LOCAL OBLIGATIONS FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN THE IMPROVEMENT AREA AS MORE FULLY DESCRIBED HEREIN.

The Improvement Area

General. The Improvement Area is located in the southern portion of the City, east of East Bidwell Street, west of Placerville Road, north of Mangini Parkway and south of U.S. Highway 50 and consists of over 205 total gross acres, of which approximately 109 acres are subject to the Special Tax. Presently, the Improvement Area includes properties in varying stages of development, including partially-improved lots, improved lots, homes under construction and completed homes. Collectively, these properties are planned to include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units that are expected to be constructed as apartments.

Formation Proceedings. The District was formed by the City pursuant to the Mello-Roos Act. The Mello-Roos Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Mello-Roos Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities, development-related fees, and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Mello-Roos Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Mello-Roos Act, the City Council undertook proceedings to form the District, initially designating six separate improvement areas therein, including the Improvement Area, and called an election to authorize the incurring of bonded indebtedness and authorize the levy of special taxes within the District. On May 26, 2020, elections were held within the District for each improvement area therein at which the eligible voters in each improvement area approved the levy of special taxes in accordance with the respective Rate and Method of Apportionment of Special Tax for such improvement area. In addition, the eligible voters in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area. The Rate and Method of Apportionment for Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 (the “Rate and Method of Apportionment”) is included as APPENDIX A hereto and summarized herein under ‘SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Analysis.’ In December 2021, a seventh improvement area was designated within the District and change proceedings were conducted for Improvement Area No. 3.

Property Ownership and Development Status

The development planned within the Improvement Area is comprised of eight sequentially numbered “Villages” and three additional lots referred to as “Village 10,” “Lot C” and “Lot D.” Development within the Improvement Area is planned to ultimately include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units, for an aggregate total of 928 residential units. Both the single-family high density units and the multi-family low density units, representing 663 total residences, are being developed as detached single-family homes. The 265 multi-family high density units are expected to be constructed as for-rent apartments. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping” for a discussion of these zoning entitlements within the Improvement Area. At full

development, the Improvement Area is also planned to include an elementary school, a police substation, a fire station, parks, trails and additional acreage planned for open space.

Property within the Improvement Area is in varying stages of development and is in the process of being completed in three main phases (referred to herein as “Phase 2A,” “Phase 2B” and “Phase 2C”). Phase 2A of development within the Improvement Area includes Villages 4, 7, 8 and 10 and Lots C and D and is entitled for a total of 560 units at the time of full build-out, comprised of 73 single-family high density units, 222 multi-family low density units and 265 multi-family high density units. Phase 2B of development includes Villages 1 and 2 and is entitled for a total of 162 single-family high density units at the time of full build-out. Phase 2C of development includes Villages 3, 5 and 6 and is entitled for a total of 206 single-family high density units at the time of full build-out. “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

The majority of the property within the Improvement Area is owned by various merchant builders, including KB HOME Sacramento Inc., a California corporation (“KB HOME Sacramento”), Tri Pointe Homes Holdings, Inc., a Delaware corporation (“Tri Pointe”), Lennar Homes of California, LLC (“Lennar”), Beazer Homes Holdings, LLC (“Beazer”) and FR 68 Lots LLC (“FR 68 Lots”). FR 68 Lots is managed by Signature Homes, Inc., a California corporation, and is owned by three separate members, each of which is affiliated with a member of the executive team of Signature Homes, Inc. Due to their affiliation, FR 68 Lots and Signature Homes, Inc. are each referred to herein as “Signature Homes.” KB HOME Sacramento, Tri Pointe, Lennar, Beazer and Signature Homes are referred to herein collectively as the “Merchant Builders.”

East Carpenter Improvement Company, LLC (“ECIC”) and CMB Improvement Company, LLC (“CMB”), the master developers responsible for the initial improvement of the lots, also own portions of the taxable property within the Improvement Area. Both ECIC and CMB are managed by the same three individuals. As of March 8, 2022, 76 homes were owned by individual homeowners. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership.” ECIC and CMB are under contract to sell the remaining portion of their taxable parcels to A.G. Spanos Company (“Spanos”) and Tri Pointe, respectively.

ECIC and CMB have made significant progress in the initial grading and improvement of the taxable properties in the Improvement Area. ECIC completed the mass grading and backbone infrastructure for Phase 2A (consisting of Villages 4, 7, 8 and 10 and Lots C and D) in 2020 along with the development of the initial subdivisions for the 295 single-family residential lots and the 10-acre multifamily site (Lots C and D) planned for 265 multi-family high density units. CMB commenced development of Phase 2B (Villages 1 and 2) in October 2020 with grading and backbone roadway improvements for Westwood Drive and Savannah Parkway. The Phase 2B subdivision improvements commenced in April 2021 and were significantly completed in December 2021, and the landscaping, fencing and punch-list related work is underway and scheduled for completion in April 2022. ECIC’s initial grading and improvement work for Phase 2C (Villages 3, 5 and 6) is scheduled to occur in two phases. The grading and backbone work for Village 3 began in February 2022 and is expected to be completed by the fourth quarter of 2022. The grading and backbone work for Villages 5 and 6 is expected to begin in April 2022 and is expected to be completed by the fourth quarter of 2022.

To date, final maps have been approved and recorded for Villages 1, 2, 4, 7, 8 and 10, and tentative maps have been approved for Villages 3, 5 and 6. Final maps for Villages 3, 5 and 6 are expected to be approved and recorded by June 30, 2022. A final small lot map is not required for the development of the 265 multi-family high density units on Lots C and D. However, a boundary line adjustment to remove the existing parcel line between Lots C and D will be required to be reviewed and approved by the City and recorded with the Office of the County Recorder of the County of Sacramento

prior to building permit issuance for Lots C and D. It is anticipated that the required boundary line adjustment for Lots C and D will be completed by Spanos during the second quarter of 2022.

The following table summarizes the current landowners, the current or anticipated merchant builders, the phase for development (2A, 2B or 2C), the status of the final maps and the number of units expected at full build-out.

Property	Current Owner	Builder	Development Phase	Map Status	Total Units
Village 1	CMB/Tri Pointe ⁽¹⁾	Tri Pointe	2B	final small lot	88
Village 2	CMB/Tri Pointe ⁽¹⁾	Tri Pointe	2B	final small lot	74
Village 3	Beazer	Beazer	2C	tentative small lot	53
Village 4	KB HOME Sacramento	KB HOME Sacramento	2A	final small lot	73
Village 5	KB HOME Sacramento	KB HOME Sacramento	2C	tentative small lot	83
Village 6	KB HOME Sacramento	KB HOME Sacramento	2C	tentative small lot	70
Village 7	FR 68 Lots	Signature Homes	2A	final small lot	68
Village 8	KB HOME Sacramento	KB HOME Sacramento	2A	final small lot	36
Village 10	Lennar	Lennar	2A	final small lot	118
Lots C and D	ECIC ⁽²⁾	Spanos	2A	no final map required	265 ⁽²⁾

⁽¹⁾ Tri Pointe has contracted to purchase the Village 1 and Village 2 properties through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

⁽²⁾ Spanos has contracted to purchase the Lot C and Lot D properties. See “PROPOSED PROPERTY DEVELOPMENT Development Entitlements—Tentative and Final Mapping.”
Source: ECIC.

The following table summarizes, as of March 8, 2022, the current or anticipated merchant builders; the phase for development (2A, 2B or 2C); the zoning designation (single-family high density “SFHD,” multi-family low density “MLD” or multi-family high density “MHD”) for the lots; the number of homes under construction; the number of completed homes not yet sold; the number of homes under contract to be sold to individual home buyers; the number of homes closed; the number of building permits issued; the number of finished lots (without vertical home construction); the number of partially improved lots (including those that have only been initially graded for further development); the number of undeveloped lots; and the number of units expected at full build-out.

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Property	Merchant Builder	Development Phase	Zoning	Homes Under Construction	Homes Completed But Not Closed	Homes Under Contract	Homes Closed	Building Permits Issued	Finished Lots (Without Vertical Home Construction)	Partially Improved Lots	Undeveloped Lots	Total Proposed Units ⁽³⁾
Village 1	Tri Pointe ⁽¹⁾	2B	SFHD	12 ⁽⁴⁾	0	0	0	12	76	0	0	88
Village 2	Tri Pointe ⁽¹⁾	2B	SFHD	16 ⁽⁵⁾	0	0	0	16	58	0	0	74
Village 3	Beazer	2C	SFHD	0	0	0	0	0	0	53	0	53
Village 4	KB HOME Sacramento	2A	SFHD	50	2 ⁽⁶⁾	50	19	71	2	0	0	73
Village 5	KB HOME Sacramento	2C	SFHD	0	0	0	0	0	0	83	0	83
Village 6	KB HOME Sacramento	2C	SFHD	0	0	0	0	0	0	70	0	70
Village 7	Signature Homes	2A	MLD	31	3 ⁽⁶⁾	21	31	65	3	0	0	68
Village 8	KB HOME Sacramento	2A	SFHD	4	0	4	0	34	32	0	0	36
Village 10	Lennar	2A	SFHD	40	4 ⁽⁶⁾	63	26	70	48	0	0	118
Lots C and D	Spanos ⁽²⁾	2A	MHD	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>265</u>
TOTAL				153	9	138	76	268	219	471	0	928

⁽¹⁾ Tri Pointe has contracted to purchase the Village 1 and Village 2 properties through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

⁽²⁾ Spanos has contracted to purchase the Lot C and Lot D properties. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

⁽³⁾ Amounts equal to the total from the following columns: (i) “Homes Under Construction,” (ii) “Homes Completed But Not Closed,” (iii) “Homes Closed,” (iv) “Finished Lots (Without Vertical Home Construction),” (v) “Partially Improved Lots” and (vi) “Undeveloped Lots.”

⁽⁴⁾ Includes 12 Lonestar production homes. The two Lonestar model homes are being constructed in Village 2, where the Eastwood homes are being constructed.

⁽⁵⁾ Includes four model homes (two for the Eastwood product and two for the Lonestar product) and 12 Eastwood production homes.

⁽⁶⁾ Represents model homes.

Source: ECIC and the Merchant Builders

Property Values

An appraisal of the taxable property within the Improvement Area dated March 11, 2022 (the “Appraisal”) was prepared by Integra Realty Resources, Sacramento, California (the “Appraiser”). The purpose of the appraisal was to estimate the aggregate value of the fee simple interest, subject to the special tax and based upon a hypothetical condition, for all of the taxable property within the Improvement Area. Subject to the assumptions, extraordinary assumption, hypothetical condition and limiting conditions contained in the Appraisal, the Appraiser estimated that the taxable property within the Improvement Area had an estimated aggregate value of \$183,319,655 as of February 18, 2022. See “THE IMPROVEMENT AREA—Property Values.”

Bondholders Risks

Investment in the Bonds involves a substantial degree of risk that may not be appropriate for some investors. For a discussion of certain considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “CERTAIN RISKS TO BONDHOLDERS.” Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Continuing Disclosure

The District will agree to provide certain annual financial information and operating data by not later than April 1 in each year, commencing April 1, 2023 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access database (“EMMA”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D—“FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12.

KB HOME Sacramento and Tri Pointe will covenant for the benefit of the Bondholders to provide certain information relating to it, its development plan and its financing plan no later than March 31 and September 30 in each year, commencing September 30, 2022 (collectively, the “Disclosure Reports”), and to provide notices of the occurrence of certain enumerated events. The Disclosure Reports and notices will be filed with EMMA. The specific nature of the information to be contained in the Disclosure Reports or the notices of enumerated events is set forth in APPENDIX D—“FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS.” The obligations of KB HOME Sacramento and Tri Pointe will terminate upon the occurrence of certain events as set forth in the applicable Continuing Disclosure Certificate for KB HOME Sacramento and Tri Pointe, including when the property owned by KB HOME Sacramento and Tri Pointe within the Improvement Area, respectively, is no longer obligated to pay 20% or more of the Special Taxes within the Improvement Area.

Summaries Not Definitive

Brief descriptions of the Bonds; the Local Obligations; the security for the Bonds, the City, the Improvement Area and the status of development within the Improvement Area are included in this Official Statement together with summaries of certain provisions of the Bonds, the Trust Agreement and the Local Obligations Indenture. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreement and the Local Obligations Indenture are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of Trustee.

FOLSOM PLAN AREA

General Folsom Plan Area Plan of Finance

In 2001, the City commenced plans to expand its sphere of influence area to include an area south of US Route 50. The area, known as the Folsom Plan Area is bordered to the west by Prairie City Road, the east by the Sacramento/El Dorado County boundary line, the north by US Route 50, and the south by White Rock Road. In November 2004, the citizens of the City adopted Measure W (“Measure W”), which specified certain requirements for annexing the Folsom Plan Area into the City. In June 2011, the City adopted its Folsom Plan Area Specific Plan (the “Specific Plan”). The Local Agency Formation Commission approved the City’s plan to annex the Folsom Plan Area on January 18, 2012.

As described below, the Folsom Plan Area is an area of approximately 3,500 acres in the southern portion of the City that has been approved for development of approximately 11,461 units of residential development, plus 274.5 acres of commercial/industrial development (including mixed use development). Over the build out of the property, the City anticipates using community facilities districts under the Mello-Roos Act to finance a large portion of the public infrastructure required for the development, plus certain maintenance obligations of public improvements and facilities.

The City has previously issued a series of bonds for its Community Facilities District No. 17 (Willow Hill Pipeline) (“CFD 17”) to finance certain public capital improvements for the benefit of the Folsom Plan Area in the principal amount of \$6,675,000, of which \$6,015,000 are currently outstanding. The City has also formed its Community Facilities District No. 18 (Folsom Plan Area – Area-Wide Improvements and Services) (“CFD 18”) to finance certain water and sewer improvements and a regional aquatic center along with maintenance and certain services. CFD 18 encompasses all of the property within the Folsom Plan Area, which is the CFD 17 property plus approximately 190 acres bordering El Dorado County in the eastern portion of the City south of US Route 50. The City has authorized the issuance of up to \$200,000,000 in bonds for CFD 18. The timing of issuance of bonds for CFD 18 is dependent upon market conditions and development within the Folsom Plan Area, and the City currently anticipates that an initial series of CFD 18 bonds will be issued in the second half of 2022 to help finance the required Phase 2 Water Facilities (as defined herein). See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—*Water Supply Infrastructure*.” The boundaries of CFD 17 and CFD 18 encompass nearly all of the property in the Folsom Plan Area, including the property in the Improvement Area. The Improvement Area represents approximately 6.1% by acres of CFD 17 and approximately 5.9% by acres of CFD 18. The allocable portion of bonds previously issued for CFD 17 and any bonds to be issued for CFD 18 constitute overlapping debt. See “THE IMPROVEMENT AREA—Overlapping Debt.”

Public Facilities Financing Plan

Measure W, adopted by City of Folsom residents in November 2004, required, among other things, that residents north of US Route 50 not bear the cost for infrastructure and public facilities serving the Folsom Plan Area. The City adopted a Public Facilities Financing Plan (“PFFP”) for the Folsom Plan Area on January 14, 2014. The PFFP provides an overview of how the infrastructure required for the development of the Folsom Plan Area will be financed and constructed and how various public facilities will be financed and maintained to ensure that public facilities and infrastructure will be available for the orderly development of the Folsom Plan Area without cost to the residents of the City north of US Route 50 and without an adverse impact on the service levels provided to future residents of the Folsom Plan Area.

The PFFP contemplates that the primary sources of funding for the construction of the public infrastructure and facilities in the Folsom Plan Area are community facilities districts, development impact fees collected upon permit issuance (including development impact fees of the Folsom Cordova Unified School District), direct developer financing, and matching state school grants and other school funding (including the school facilities improvement district described under “THE IMPROVEMENT AREA—Overlapping Debt”). Subdivision improvements are not included as part of the PFFP.

On September 8, 2015, the City approved Resolution No. 9641, in which the City Council adopted a Nexus Study to collect certain impact fees for the Specific Plan to be collected in accordance with City Ordinance No. 1234. In addition, on the same date, the City approved Resolution No. 9642, in which the City Council adopted a Nexus Study for the Specific Plan Infrastructure Fees (the “SPIF”) to be collected for the Specific Plan and in accordance with Ordinance No. 1235 and Chapter 3.130 of the Folsom Municipal Code. Most recently, on January 9, 2018, the City of Folsom approved Resolution No. 10040, amending Resolution No. 9641, to adjust the initial Folsom Plan Area Development Impact Fees. On the same date, the City approved Resolution No. 10059, adopting the Nexus Study Fiscal Year 2017-18 Update for the SPIF, and setting the updated infrastructure fees. On July 28, 2020, the City approved Resolution No. 10491, in which the City adopted the Nexus Study Fiscal Year 2020-21 Update for the Folsom Plan Area SPIF. On this date, the City also introduced and had the first reading for City Ordinance No. 1307, in which the City amended sections 3.130.010(JJ) and 3.130.030(E)(1)(c) of the Folsom Municipal Code pertaining to the SPIF Set-Aside Component of the SPIF. The SPIF Set-Aside was amended to include a new SPIF Off-Site Water Set-Aside Component to repay the City for water treatment plant costs the City had previously incurred. On August 25, 2020, the City conducted the second reading and approved Ordinance No. 1307.

Phasing of Development. For purposes of setting the PFFP costs, the City projected single family units would be sold and occupied within 13 years, multi-family low density units within 15 years, and multi-family medium and high density units within 18 years.

Backbone Infrastructure. The PFFP provides for the financing or collection of impact fees for and the construction of the backbone infrastructure required before construction in the Folsom Plan Area can proceed. Specifically, the PFFP recognizes the need for roadway improvements, on-site water system improvements, off-site water system improvements, recycled water system improvements, sanitary sewer system improvements, storm drainage system improvements, habitat mitigation, and construction of two freeway interchanges and improvements to an existing freeway interchange.

Public Facilities – the Folsom Plan Area. The PFFP describes plans for the financing of public schools, parks, transit services, trails, police and fire facilities and equipment, municipal service center, a corporation yard, solid waste facilities, a library, general capital improvements, transportation, and a community and aquatic center. The PFFP anticipates that the land for the public facilities will be dedicated to the City without cost to the City.

The Folsom Plan Area is currently being served by the existing fire resources of the City as well as other Sacramento County, El Dorado County and Placer County fire agencies through mutual aid agreements with the City. The City is currently undertaking general planning for the type and staffing needs of the first fire station. As noted in the PFFP, the City’s goal is to maintain a level of service that represents a rate of 1 station per 12,000 population, which the City expects to resolve by commencing construction on the first fire station servicing the Folsom Plan Area when there are approximately 1,400 residential units occupied within the Folsom Plan Area.

The estimated total cost of the backbone infrastructure and public facilities for the Folsom Plan Area at build-out is \$876,669,484 (in 2017 dollars), of which the City anticipates that a portion will be

financed through the Folsom Plan Area SPIF and the issuance of bonds for CFD 18, the Improvement Area or other community facilities districts and improvement areas. This estimate is subject to a variety of construction and market risks. The City and the District can provide no assurances that the overall costs will not increase, even significantly, in the future. The following table shows the breakdown of overall estimated costs for each category of improvement within the Folsom Plan Area as a whole.

Table 1
City of Folsom
Folsom Plan Area Public Facilities Financing Plan
Estimated Budget (2017\$)

Infrastructure	Estimated Cost	Public Improvements	Estimated Cost
Roadways	\$270,335,001	Public Schools ⁽¹⁾⁽²⁾	\$134,250,000
Dry Utility	32,476,778	Parks	74,116,000
On-Site Water	54,966,951	Transit Services	17,129,000
Off-Site Potable Water	41,655,691	Housing Trust ⁽²⁾	39,680,000
Recycled Water	10,931,440	Trails	14,420,000
Wastewater (Sewer)	21,434,147	Fire Facilities and Equipment	12,736,582
Storm Drainage	65,467,614	Police Facilities and Equipment	5,843,000
Habitat Mitigation	6,978,281	Municipal Service Center	5,434,000
Total:	\$504,245,902	Corporation Yard	8,020,000
		Solid Waste	5,542,000
		Branch Library	2,833,000
		Community and Aquatic Center ⁽³⁾	37,860,000
		General Capital	13,800,000
		Transportation ⁽²⁾	760,000
		Total:	\$372,423,582

Source: Folsom Specific Plan Infrastructure Fee Nexus Study Fiscal Year 2017-2018 Update (“Nexus Study Update”); City of Folsom; EPS.

- (1) Assumed no active-adult units in calculation of estimated school fee revenue. Certain developments within the Folsom Plan Area are expected to include active-adult units.
- (2) Based on estimated fee revenue generated from existing fee programs.
- (3) Community and Aquatic Center was not included in the Nexus Study Update. Estimated cost based on original PFFP costs in 2013 dollars increased by 3.02%, similar to the cost increases for the Folsom Plan Area Specific Plan Stand Alone Fee facilities included in the Nexus Study Update.

Development within the Folsom Plan Area, including within the Improvement Area, is dependent upon completion of certain of the above described infrastructure. For more information on status of construction of improvements and development necessary for development to occur within the Improvement Area, see “PROPOSED PROPERTY DEVELOPMENT.” See also “THE IMPROVEMENT AREA—Overlapping Debt.”

PLAN OF FINANCE

Facilities to be Financed

The Bonds are issued for the purpose of providing funds to purchase the Local Obligations. The Local Obligations are being issued to finance the acquisition and construction of certain public capital improvements more particularly described in the Resolution of Formation adopted by the City Council of the City on May 26, 2020. The City entered into an acquisition and shortfall agreement (the “Acquisition Agreement”) with ECIC on June 25, 2020, wherein the City agrees to use a portion of the proceeds of the Local Obligations to finance the acquisition from ECIC of those facilities set forth in the Acquisition Agreement. Such facilities consist of certain transportation improvements, water system improvements,

recycled water system improvements, drainage system improvements, wastewater system improvements, park, parkway and open space improvements, Specific Plan Infrastructure Fee program improvements and certain Specific Plan Infrastructure Fee obligations (collectively, the “Facilities”). Construction of the Facilities is required for development within the Improvement Area and the District to be completed.

Proceeds from the Local Obligations are expected to finance some, but not all, of the Facilities eligible to be financed within the District, and the District expects to issue one or more series of bonds to finance the acquisition of additional facilities in the future. See “PROPOSED PROPERTY DEVELOPMENT – Development Plans of Finance.”

THE BONDS

General

The Bonds are secured by a pledge of amounts paid with respect to the Local Obligations. The Local Obligations are secured by a pledge of Special Taxes (net of Priority Administrative Expenses) levied against taxable property within the Improvement Area. See “DEBT SERVICE SCHEDULE” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Local Obligations are secured by a pledge of Special Taxes (net of Priority Administrative Expenses) on parity with the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2020 (the “2020 IA1 Obligations”) and any Additional Local Obligations (defined below).

The Local Obligations Indenture establishes a Local Obligation Reserve Fund and a Local Obligations Reserve Account therein with respect to the Local Obligations. Amounts available from the Local Obligations Reserve Account are available to pay debt service on the Local Obligations. The Local Obligations Indenture requires the funding of separate debt service reserve accounts for the Local Obligations, the 2020 IA1 Obligations and any Additional Local Obligations, each of which may be used only to pay the principal of and interest on the related series of special tax bonds issued under the Local Obligations Indenture. There is no reserve fund with respect to the Bonds. Amounts available from the Local Obligations Reserve Account are not available to cure a deficiency generally in the Trust Estate to make debt service payments on the Bonds.

Description of the Bonds

General. The Bonds will be dated their date of delivery and mature on September 1, as set forth on the inside front cover page hereof (each, a “Principal Payment Date”). Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2022 (each, an “Interest Payment Date”).

The Bonds will be issued as fully registered bonds, without coupons, in denominations of \$5,000, or any integral multiple thereof. The Bonds will be issued in book-entry only form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. So long as the Bonds are in book-entry only form, principal of and redemption premium, if any, on the Bonds will be payable to DTC or its nominee, who will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Principal of, and redemption premium, if any, on the Bonds is payable at the corporate trust office of the Trustee. Interest on the Bonds will be paid only to the registered owners as shown on the Trustee’s books as of the fifteenth day of the calendar month next preceding each Interest Payment Date (the “Record Date”), except that in the case of an owner of \$1,000,000 or more in aggregate principal amount

of Bonds outstanding, payment will be made at the owner’s option by wire transfer of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America according to instructions provided by such owner to the Trustee and received no later than the Record Date for such Interest Payment Date.

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by the Trust Estate of the Authority pledged under the Trust Agreement, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by a lien of the Special Taxes (defined herein) (net of Priority Administrative Expenses) levied upon property within the Improvement Area, as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. Pursuant to the Local Obligations Indenture, a Local Obligations Reserve Account is established for the Local Obligations. Amounts available from the Local Obligations Reserve Account are *not* available to cure a deficiency in the Trust Estate available to pay debt service of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Terms of the Local Obligations—Local Obligations Reserve Account.”

No Additional Bonds under the Trust Agreement. The Trust Agreement does not permit the Authority to issue any additional bonds on parity with the Bonds. However, subject to certain conditions contained in the Local Obligations Indenture, the District may at any time issue bonds (the “Additional Local Obligations”) payable from the net proceeds of the Special Tax (after payment of Priority Administrative Expenses) on parity with the Local Obligations and the 2020 IA1 Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Terms of the Local Obligations – *Additional Local Obligations.*”

Redemption Provisions*

Optional Redemption. The Bonds are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after _____, 20__, from any source of available funds other than Minimum Sinking Fund Payments and Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or after _____, 20__ through _____, 20__;

102% if redeemed on any date from _____, 20__ through _____, 20__;

101% if redeemed on any date from _____, 20__ through _____, 20__; and

100% if redeemed on _____, 20__ and any date thereafter.

Extraordinary Redemption from Prepayment of Special Taxes. The Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on

* Preliminary, subject to change.

any Interest Payment Date on or after _____, 20__, solely from funds derived from the extraordinary redemption of Local Obligations from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on an Interest Payment Date on or after _____, 20__ through _____, 20__;

102% if redeemed on an Interest Payment Date on _____, 20__ and _____, 20__;

101% if redeemed on an Interest Payment Date on _____, 20__ and _____, 20__; and

100% if redeemed on _____, 20__ and any Interest Payment Date thereafter.

Prepayments from prepaid Special Taxes could be made by any of the owners of any of the property within the Improvement Area, including ECIC, CMB, any of the Merchant Builders, any other developers or homebuilders owning Taxable Property in the Improvement Area or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “CERTAIN RISKS TO BONDHOLDERS—Potential Early Redemption of Bonds from Prepaid Special Taxes.”

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 1, 20__ are subject to mandatory redemption in part on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
	\$

†

† Maturity.

The Bonds maturing on September 1, 20__ are subject to mandatory redemption in part on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
	\$

†

† Maturity.

If the Bonds subject to mandatory redemption are redeemed in part prior to their stated maturity date other than from Minimum Sinking Fund Payments, the Minimum Sinking Fund Payments for such Bonds shall be reduced proportionately by the principal amount of such Bonds so redeemed.

Redemption Instructions. Upon any prepayment of a Local Obligation, the Authority shall deliver to the Trustee a Written Order of the Authority designating the amounts and maturities of the Bonds to be redeemed, which shall be in the manner necessary to enable the Authority to deliver a Cash Flow Certificate satisfying the requirements described below. In the event only a portion of the Outstanding Bonds of any maturity are to be redeemed at any one time, the Trustee shall select the particular Bonds of each maturity date to be redeemed in accordance with DTC procedures or, if the Bonds are not then in book-entry, in a manner that it deems appropriate and fair. The Trustee shall redeem Bonds in Authorized Denominations.

Upon any redemption of a portion but not all of the Outstanding Bonds, the Authority shall deliver to the Trustee a Cash Flow Certificate to the effect that, assuming all payments are made with respect to the Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and accounts held under the Trust Agreement, will be sufficient to pay all Principal Installments, Minimum Sinking Fund Payments and interest payments on the Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Bonds, such that in no event will the prepayment of Local Obligations cause the Trustee to have insufficient funds to pay debt service on the Bonds when due.

In no event shall Bonds be redeemed if upon such redemption the principal amount of the Local Obligations remaining outstanding will be less than the total principal amount of Outstanding Bonds. Such Written Order of the Authority may specify that optional redemption of the Bonds will be conditioned upon receipt of funds or other events.

Notice of Redemption. Subject to receipt of the Written Order of the Authority described under “—Redemption Instructions”, the Trustee shall give notice of redemption; provided, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been

called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof to the Trustee at its Corporate Trust Office, subject to any conditions to such redemption specified in the Written Order of the Authority, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds (or portions thereof) so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond (or such portion thereof) shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such redeemed Bond or such portion except to receive payment from such money of such redemption price plus accrued interest to the date fixed for redemption. If sufficient monies for the payment of the redemption price of all Bonds to be redeemed are not then on deposit with the Trustee, such notice shall also state that redemption is conditioned upon the timely deposit of sufficient funds therefor with the Trustee.

Such notice shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the Owners of such Bonds (or portions thereof) so called for redemption, at their respective addresses as the same shall last appear on the Bond Register; provided, that neither the failure of an Owner to receive notice of redemption of Bonds nor any error in such notice shall affect the validity of the proceedings for the redemption of Bonds.

Any notice of optional redemption may be rescinded by written notice given by the Authority to the Trustee no later than three Business Days prior to the date specified for redemption. The Trustee shall give notice of rescission of the notice of optional redemption or non-satisfaction of any conditions specified in the notice of optional redemption as soon as practicable to the same parties and in the same manner as the notice of redemption was given.

So long as the Bonds are in book-entry only form, notices of redemption will be given directly by the Trustee to DTC and not to the Beneficial Owners of the Bonds. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may be used and withdrawn by the Trustee at any time prior to a notice of redemption having been delivered, upon a Written Order for the purchase of such Bonds at public or private sale as and when and at such prices as the Authority may in its discretion determine, but not in excess of the lower of the highest or then current redemption price thereof plus accrued interest to the purchase date; and all Bonds so purchased shall be delivered to the Trustee for cancellation.

Payment of Redeemed Bonds. If notice of redemption has been given and not rescinded and if the conditions to such redemption specified therein, if any, have been satisfied, each as provided in the Trust Agreement, the Bonds or portions thereof called for redemption will become irrevocably due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If less than the full principal amount of a Bond is called for redemption, the Authority is required to execute and deliver and the Trustee is required to authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds so surrendered in such Authorized Denominations as specified by the Owner.

If any Bond or any portion thereof has been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, has been made or

provided for by the Authority, then interest on such Bond or such portion will cease to accrue from such date, and from and after such date such Bond or such portion will no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof will have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be used to purchase the Local Obligations. The proceeds of the Local Obligations in turn will be used to finance construction and acquisition of the Facilities and pay costs of issuance of the Local Obligations and Bonds. The following table sets forth the estimated sources and uses of the funds as allocated to the Bonds:

Sources of Funds

Principal Amount	\$
<i>[Plus/Less]:</i> [Net] Original Issue [Premium/Discount]	_____
Total Sources	\$

Uses of Funds

Acquisition and Construction Fund	\$
Underwriter's Discount	
Deposit to Local Obligations Reserve Account ⁽¹⁾	
Deposit to Local Obligations Capitalized Interest Account ⁽²⁾	
Deposit to Costs of Issuance Fund ⁽³⁾	_____
Total Uses	\$

⁽¹⁾ A portion of the purchase price of the Local Obligations will be deposited into the Local Obligations Reserve Account for the Local Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

⁽²⁾ To pay interest on the Local Obligations and, in turn, the Bonds, to September 1, 2022.

⁽³⁾ A portion of the purchase price of the Local Obligations will be used to pay costs of issuance including fees of Bond Counsel and the Municipal Advisor, the initial fees of the Trustee, noncontingent fees of the Appraiser, printing costs and other miscellaneous expenses.

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DEBT SERVICE SCHEDULE

The annual scheduled debt service schedule for both the Bonds and the 2020 IA1 Obligations, assuming no early redemption other than from mandatory sinking fund installments, is set forth in Table 2A below. The Local Obligations are sized to provide 100% of the debt service on the Bonds when due and have the same principal amortization as the Bonds. The Local Obligations will be issued with an annual scheduled debt service schedule that, when combined with the scheduled debt service for the 2020 IA1 Obligations, results in at least 110% annual debt service coverage from the revenues of the Effective Tax Rate Evaluation Maximum Facilities Special Tax (as defined herein) for Developed Property and the Effective Tax Rate Evaluation Minimum Facilities Revenues for Small Lot Final Map Property expected to be generated in the Improvement Area, except those revenues expected from Lots C and D, net of Priority Administrative Expenses (defined below). The District expects that Additional Local Obligations will be issued on parity with the Local Obligations and the 2020 IA1 Obligations as the Improvement Area develops. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Terms of the Local Obligations – *Additional Local Obligations.*"

Table 2A
Folsom Ranch Financing Authority
City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1
Special Tax Revenue Bonds, Series 2022
Debt Service Schedule*

Period Ending (September 1)	2020 IA1 Obligations Debt Service	Series 2022 Principal	Series 2022 Interest	Total Series 2022 Debt Service	Total Debt Service
2022 ⁽¹⁾	\$615,050	\$	\$	\$	\$
2023	626,900				
2024	643,300				
2025	654,100				
2026	669,450				
2027	679,200				
2028	696,600				
2029	708,000				
2030	723,600				
2031	738,200				
2032	751,800				
2033	764,400				
2034	781,000				
2035	796,400				
2036	815,600				
2037	828,400				
2038	845,000				
2039	865,200				
2040	878,800				
2041	881,000				
2042	882,200				
2043	882,400				
2044	881,600				
2045	879,800				
2046	882,000				
2047	883,000				
2048	882,800				
2049	881,400				
2050	878,800				
2051	--				
2052	--				
TOTAL	\$22,896,00	\$	\$	\$	\$

* Preliminary, subject to change

⁽¹⁾ Local Obligations debt service capitalized through September 1, 2022.

Source: Piper Sandler & Co.

The following table shows the expected debt service coverage for the Bonds for Fiscal Year 2022-23, taking into account the debt service on both the Local Obligations and the 2020 IA1 Obligations for that Fiscal Year, based on the revenues of the Effective Tax Rate Evaluation Maximum Facilities Special Tax (as defined herein) for all taxable properties in the Improvement Area other than Lots C and D, net of Priority Administrative Expenses in the amount of \$20,400.

Table 2B
City of Folsom Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Fiscal Year 2022-23
Debt Service and Debt Service Coverage – Local Obligations and 2020 IA1 Obligations*

Fiscal Year	Effective Tax Rate Maximum Facilities Special Tax Revenue ⁽¹⁾⁽²⁾	Priority Administrative Expense ⁽³⁾	Net Effective Tax Rate Evaluation Maximum Facilities Special Tax Revenue	2020 IA1 Obligations Debt Service	Local Obligations Debt Service*	Total Improvement Area Debt Service*	Improvement Area Debt Service Coverage*
2022-23	\$1,410,822	\$20,400	\$1,390,422	\$626,900	\$624,550	\$1,251,450	111.1%

* Preliminary, subject to change

(1) The Effective Tax Rate Evaluation Maximum Facilities Special Tax escalates annually at 2%.

(2) Excludes the Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues from Lots C and D.

(3) The Priority Administrative Expense amount was established at \$20,000 for Fiscal Year 2021-22 and escalates annually at 2%.

Source: Piper Sandler & Co. for Local Obligations debt service figures; Trustee for 2020 IA1 Obligations debt service figures; NBS for all other amounts.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are secured by a lien on and pledge of the Trust Estate, consisting primarily of payments received by the Authority from the District under the Local Obligations, which payments are secured by Special Taxes (net of Priority Administrative Expenses) levied upon property within the Improvement Area and received by the District.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE DISTRICT, THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE TRUST ESTATE, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, THE DISTRICT OR CITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, DERIVED PRIMARILY FROM PAYMENTS ON THE LOCAL OBLIGATIONS FROM THE PAYMENT OF THE SPECIAL TAXES LEVIED WITHIN THE IMPROVEMENT AREA AS MORE FULLY DESCRIBED HEREIN.

The Trust Agreement does not permit the Authority to issue any additional bonds on parity with the Bonds. However, subject to certain conditions contained in the Local Obligations Indenture, the District may at any time issue Additional Local Obligations payable from the net proceeds of the Special Tax (after payment of Priority Administrative Expenses) on parity with the Local Obligations and the

2020 IA1 Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Terms of the Local Obligations – *Additional Local Obligations*.”

General

The Trust Estate consists of the Revenues, the amounts in certain of the funds established and held under the Trust Agreement, and the Local Obligations. The Revenues consist of amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, the Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held in the Funds held under the Trust Agreement (except the Rebate Fund).

The principal of and the interest on the Local Obligations are payable from the annual Special Taxes levied and to be collected on all real property within the Improvement Area subject to the Special Taxes and the proceeds, if any, from the sale of such property for delinquency of such Special Taxes, after payment of Priority Administrative Expenses. The Local Obligations are secured by a pledge on the Special Taxes (net of Priority Administrative Expenses) on parity with the pledge of such Special Taxes for the 2020 IA1 Obligations and any Additional Local Obligations issued under the Local Obligations Indenture. See “—Payment of the Local Obligations” and “—Terms of the Local Obligations.”

The District may not issue indebtedness payable from the Special Taxes except as provided in the Local Obligations Indenture. See APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—*Additional Bonds; Subordinate Bonds*.” The City has, however, formed CFD 17, which has issued bonds secured by special taxes with a co-equal lien on property within the Improvement Area and has formed CFD 18, which is authorized to issue bonds secured by special taxes with a co-equal lien on property within the Improvement Area. See “FOLSOM PLAN AREA.” The Authority, the District and the City have no control over the amount of additional debt payable from taxes or assessments on all or any portion of the property within the Improvement Area that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within the Improvement Area. To the extent such debt is payable from other assessments or special taxes levied pursuant to the applicable law, such assessments or special taxes may have a lien on the property within the Improvement Area on parity with the lien of the Special Taxes.

Flow of Funds

Receipt and Deposit of Revenues. As noted above, Revenues consist of amounts received by the Trustee as the payment of interest on, or the equivalent thereof, and the payment or return of principal of, or redemption premiums, if any, on, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments, or redemption premiums, Special Tax Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any money held under the Trust Agreement (except the Rebate Fund). All Revenues, other than Revenues derived from the early redemption of Local Obligations from Special Tax Prepayments received by the Trustee from the Authority, will be deposited into the Revenue Fund. On each Interest Payment Date and each Principal Payment Date, the Trustee will transfer Revenues from the Revenue Fund, in the amounts required in the order of priority as set forth below, with the requirements of each fund being fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority:

- First:* To the Interest Fund, an amount of Revenues which together with amounts on deposit therein, is equal to the interest due and payable on the Bonds due on such Interest Payment Date;
- Second:* To the Principal Fund (i) on each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment) is sufficient to pay the Principal Installments on the Bonds due on such Principal Payment Date and (ii) on each September 1 on which a Minimum Sinking Fund Payment is required to be made (for deposit in the Sinking Fund Account) from the Revenue Fund an amount of Revenues which is equal to the Minimum Sinking Fund Payment due and payable on such date. On each Principal Payment Date, the Trustee shall pay the principal or redemption price due and payable on the Bonds on such date from the Principal Fund.

Following such deposits, any remaining money in the Revenue Fund is required to be transferred to the Local Obligations Trustee for application under the Local Obligations Indenture. For additional information regarding the Flow of Funds, see “—Local Obligations Flow of Funds.”

Revenues Derived from Special Tax Prepayments. All Revenues derived from early redemption of Local Obligations from Special Tax Prepayments received by the Trustee will be immediately deposited into the Redemption Fund to be applied to the extraordinary redemption of Bonds. See “THE BONDS—Redemption Provisions—*Extraordinary Redemption from Prepayment of Special Taxes.*”

Description of Local Obligations

The District will issue the Local Obligations in the principal amount of \$13,235,000.* The Local Obligations are secured solely by the Special Taxes (net of Priority Administrative Expenses) levied upon certain real property within the Improvement Area and proceeds of foreclosure sales in the Improvement Area.

The pledge of Special Taxes (net of Priority Administrative Expenses) levied within the Improvement Area is on parity with the pledge thereof securing the 2020 IA1 Obligations and any Additional Local Obligations issued under the Local Obligations Indenture. The District may issue Additional Local Obligations secured on parity with the pledge of the Special Taxes (net of Priority Administrative Expenses) within the Improvement Area only in accordance with the Local Obligations Indenture. See APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Authorization and Issuance of Bonds—*Additional Bonds; Subordinate Bonds.*”

A description of the Improvement Area is set forth under the caption, “THE IMPROVEMENT AREA.”

Issuance of Local Obligations

The Local Obligations are authorized pursuant to the Mello-Roos Act and are issued under a resolution of the City Council of the City, as legislative body of the District and the Local Obligations Indenture. The Mello-Roos Act was enacted by the State Legislature to provide an alternate method of

* Preliminary, subject to change.

financing certain essential public capital facilities and services, especially in developing areas of the State. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Mello-Roos Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

The Local Obligations constitute special tax obligations of the District payable as to both principal and interest from the annual Special Tax (after payment of the District's Priority Administrative Expenses) to be levied by the District on land within the Improvement Area, including proceeds from the sale of property within the Improvement Area collected as a result of foreclosure of the lien of the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The District's sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel. However, the District is not obligated under the Local Obligations Indenture to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan. See "—Covenant for Foreclosure" and "—The Teeter Plan" herein.

Payment of the Local Obligations

The Local Obligations constitute the limited obligations of the District payable as to both principal and interest from the annual Special Tax (net of Priority Administrative Expenses) levied by the District on Taxable Property within the Improvement Area, including proceeds from the sale of property within the Improvement Area collected as a result of foreclosure of the lien on the Special Taxes and certain funds and accounts held under the Local Obligations Indenture. The District's sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel.

The term "Priority Administrative Expenses" means an amount equal to (a) for Fiscal Year 2021-22, \$20,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Priority Administrative Expenses on each July 1, from and including the July 1 immediately following the end of the then current Fiscal Year to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

THE LOCAL OBLIGATIONS ARE SPECIAL TAX OBLIGATIONS OF THE DISTRICT, AND THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE, AND THE DISTRICT IS NOT OBLIGATED TO PAY THE LOCAL OBLIGATIONS EXCEPT FROM SUCH FUNDS. THE GENERAL FUND OF THE CITY AND THE FUNDS OF THE DISTRICT ARE NOT LIABLE, AND NEITHER THE FULL FAITH AND CREDIT OF THE DISTRICT NOR THE CITY ARE PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS. NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS. THE LOCAL OBLIGATIONS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE DISTRICT OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE PROCEEDS OF THE SPECIAL TAX (INCLUDING

ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE, AND NEITHER THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE DISTRICT. THE LOCAL OBLIGATIONS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE DISTRICT NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS OTHERWISE THAN FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE LOCAL OBLIGATIONS INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX), NET OF PRIORITY ADMINISTRATIVE EXPENSES, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE LOCAL OBLIGATIONS INDENTURE.

Although the Special Tax will constitute a lien on property subject to taxation in the Improvement Area, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in “CERTAIN RISKS TO BONDHOLDERS—Collection of Special Tax.”

Local Obligations Flow of Funds

Application of Special Tax Fund. Pursuant to the Local Obligations Indenture, the District agrees and covenants that it will deposit the Special Tax proceeds in the Community Facilities Fund, which fund is established in the treasury of the City. All money in the Community Facilities Fund shall be used and withdrawn by the District solely for the benefit of the District in accordance with the Mello-Roos Act, including payment of Expenses. Pursuant to the Local Obligations Indenture, the District further agrees and covenants that, after payment of Priority Administrative Expenses, it will transfer to the Local Obligations Trustee from the Community Facilities Fund amounts sufficient and in sufficient time for the Local Obligations Trustee to make the transfers required by it, and the Local Obligations Trustee shall deposit such proceeds as and when received in the Special Tax Fund. All money in the Special Tax Fund is required to be set aside by the Local Obligations Trustee in the following respective special account and fund within the Special Tax Fund in the following order of priority, and all money in each such account and fund shall be applied, used and withdrawn only for the purposes specified in the Local Obligations Indenture:

- (1) Redemption Account; and
- (2) Local Obligations Reserve Fund.

Redemption Account. On or before March 1 and September 1 in each year, the Local Obligations Trustee shall, from the money in the Special Tax Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations on such March 1 or September 1, as the case may be, and on or before September 1 in each year, the Local Obligations Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit

in the Redemption Account an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding serial Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations on such September 1 plus all Minimum Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Subaccount; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that money in the Special Tax Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations on such date, or in the event that the money in the Special Tax Fund on any September 1 is not equal to the amount of principal of the Local Obligations, 2020 IA1 Obligations and Additional Local Obligations becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Minimum Sinking Fund Account Payments bear to each other.

No deposit need be made into the Redemption Account if the amount of money contained therein is at least equal to the amount required by the terms of the preceding paragraph to be deposited therein at the times and in the amounts provided in the Local Obligations Indenture.

All money in the Redemption Account shall be used and withdrawn by the Local Obligations Trustee to pay the interest on the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations as it shall become due and payable (including accrued interest on any Local Obligations, 2020 IA1 Obligations or any Additional Local Obligations purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Subaccount shall be used only to purchase or redeem or retire the term Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations as provided in the Local Obligations Indenture.

Local Obligations Reserve Fund. On or before March 1 and September 1 in each year, the Local Obligations Trustee shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in each Local Obligations Reserve Account within the Local Obligations Reserve Fund such amount of money as shall be required to restore each such Local Obligations Reserve Account to a sum equal to the Required Bond Reserve (as defined herein) for the applicable series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations, *pro rata*, to the extent that amounts are available in the Special Tax Fund for such purpose; and for this purpose all investments in each Local Obligations Reserve Account shall be valued on March 1 and September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments. For purposes of allocating remaining money in the Special Tax Fund between more than one Local Obligations Reserve Account, any such transfers to and deposits in each Local Obligations Reserve Account shall be made equally and ratably.

No deposit need be made into a Local Obligations Reserve Account if the value of the investments contained therein is at least equal to the Required Bond Reserve for the applicable series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations.

All money in each Local Obligations Reserve Account shall be used and withdrawn by the Local Obligations Trustee solely for the purpose of paying the interest on or principal of the corresponding series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations in the event there is insufficient money in the Redemption Account available for this purpose; provided, that if as a result of any of the foregoing valuations or due to redemption as a result of property owner prepayments it is

determined that the amount of money in a Local Obligations Reserve Account exceeds or will exceed the Required Bond Reserve for the applicable series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations, the Local Obligations Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account. For the avoidance of doubt, amounts in a Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on any series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations, other than the specific series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations to which that Local Obligations Reserve Account relates.

Special Tax Authorization

The Special Tax is to be levied and collected against all Taxable Property within the Improvement Area in accordance with the rate and method of apportionment (the “Rate and Method of Apportionment”). See APPENDIX A—“RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX.” The Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected, and, except as otherwise provided in the covenant for foreclosure and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant for Foreclosure” and “CERTAIN RISKS TO BONDHOLDERS—Collection of Special Tax.”

The Rate and Method of Apportionment of the Special Tax, subject to the maximum rates set forth therein, apportions the total debt service requirement (principal, interest, and mandatory sinking fund payments), restoration of the Required Bond Reserve, current annual expenses, pay as you go improvement costs and other costs each year among the taxable land in the Improvement Area. See APPENDIX A—“RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX.”

Pursuant to the Local Obligations Indenture, so long as any Local Obligations, 2020 IA1 Obligations or Additional Local Obligations are Outstanding, the District is required annually to levy the Special Tax against all Taxable Property in the Improvement Area and make provision for the collection of such Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Local Obligations Indenture, and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations as they become due and payable, to replenish each reserve account within the Local Obligations Reserve Fund to the Required Bond Reserve and to pay all current Expenses as they become due and payable.

Under the Mello-Roos Act, the Facilities Special Tax levied in any fiscal year against private residential property may not be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Improvement Area by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Under the Rate and Method of Apportionment, property is considered “Residential Property” and is subject to the aforementioned limitation once a building permit could be issued for the purposes of constructing one or more residential units. See “CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax.”

Covenant for Foreclosure

The Local Obligations Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Mello-Roos Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the District has covenanted in the Local Obligations Indenture that it will annually on or before September 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if it determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year within the Improvement Area, it will within sixty (60) days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in the Improvement Area, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the District determines on the basis of such review that property owned by any single property owner in the Improvement Area is delinquent by more than four thousand dollars (\$4,000) with respect to the Special Tax due and payable by such property owner by such delinquency date, then the District will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided in the Local Obligations Indenture against such property owner; provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the District is not obligated under the Local Obligations Indenture to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan (described herein).

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Local Obligations Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. However, within the limits of the Special Tax, the District may adjust the Special Tax levied on Taxable Property in the Improvement Area (subject to the limitation on the Maximum Special Tax, defined herein), to provide an amount required to pay interest on and principal of the Local Obligations and any additional obligations payable from the Special Tax, and the amount, if any, necessary to replenish each subaccount of the Local Obligations Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current Expenses for the Improvement Area. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property (as defined in the Rate and Method of Apportionment) in the Improvement Area will be at all times sufficient to pay the amounts required to be paid by the Local Obligations Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See "CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax."

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Mello-Roos Act does not require the District to purchase or otherwise acquire any lot or parcel of property to be sold if there is no other purchaser at such sale. The Mello-Roos Act and the Local

Obligations Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Mello-Roos Act requires that property within the Improvement Area that is sold pursuant to foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of at least 75% of the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations issued under the Local Obligations Indenture is obtained.

No Required Advances from Available Surplus Funds

Neither the City nor the District is obligated to advance available surplus funds available from the City treasury to pay debt service on the Local Obligations or to replenish the Local Obligations Reserve Account; provided, that nothing shall affect the right of the District under the Mello-Roos Act to make advances to cure any deficiencies.

Terms of the Local Obligations

General. The City Council of the City established the District and designated the Improvement Area therein on May 26, 2020. On that same date, the eligible voters of the District in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area. However, based on the expected Special Tax revenues, the District expects that obligations issued to finance improvements in the Improvement Area will be issued for the Improvement Area in a total amount of approximately \$33,160,000*. This amount may vary depending on the timing of the issuance of the Additional Local Obligations and the applicable interest rates at the time of any such issuance. The 2020 IA1 Obligations were issued in the aggregate principal amount of \$12,925,000 pursuant to the Mello-Roos Act and the Local Obligations Indenture and are currently outstanding in the amount of \$12,925,000. The District may issue Additional Local Obligations on parity with the Local Obligations and the 2020 IA1 Obligations in accordance with the Local Obligations Indenture.

The Local Obligations will be the second issuance of bonds for the Improvement Area. The Local Obligations will be issued in the aggregate principal amount of \$13,235,000* pursuant to the Mello-Roos Act and the Local Obligations Indenture. The Local Obligations will be dated the date of delivery of the Bonds. The Local Obligations are secured by a pledge of the Special Tax (net of Priority Administrative Expenses) levied within the Improvement Area.

Local Obligations Reserve Account. The Local Obligations Indenture establishes, for this series of the Local Obligations specifically, a Local Obligations Reserve Account within the Local Obligations Reserve Fund to be held by the Local Obligations Trustee. The Local Obligations Indenture requires that there be maintained in the Local Obligations Reserve Account an amount equal to the Required Bond Reserve. "Required Bond Reserve" is defined to mean, for the Local Obligations specifically, as of any date of calculation, the least of: (a) the Maximum Annual Debt Service, (b) one hundred twenty-five percent (125%) of the Average Annual Debt Service or (c) ten (10%) percent of the original proceeds of the Local Obligations; provided that the Required Bond Reserve shall be calculated on the date of issuance of the Local Obligations issued under the Local Obligations Indenture and shall not increase thereafter; and provided further that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "AA" or higher (without regard to qualifier) assigned by Fitch or "Aa" or higher

* Preliminary, subject to change.

(without regard to qualifier) assigned by Moody's or "AA" or higher (without regard to qualifier) assigned by S&P.

The Local Obligations Reserve Account is established specifically for the Local Obligations, and amounts in the Local Obligations Reserve Account are not available to make up a deficiency for the payment of principal and interest on the 2020 IA1 Obligations or any Additional Local Obligations. Pursuant to the Local Obligations Indenture, each reserve account within the Local Obligations Reserve Fund is only available for paying the interest on or principal of the corresponding series of Local Obligations, 2020 IA1 Obligations or Additional Local Obligations for which it was created.

The Required Bond Reserve with respect to the Local Obligations upon their date of issuance will be \$ _____.

All money in the Local Obligations Reserve Account will be used and withdrawn by the Local Obligations Trustee solely for the purpose of paying the interest on and principal of the Local Obligations in the event there is insufficient money available for the purpose; provided, that if as a result of any of the valuation of a Required Bond Reserve or as a result of any property owner prepayment it is determined that the amount of money in the Local Obligations Reserve Account exceeds the Required Bond Reserve, the Local Obligations Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Redemption Account. Amounts on deposit in the Local Obligations Reserve Account are not available to cure a deficiency in Revenues available to pay debt service on the Bonds.

Additional Local Obligations. The District may at any time, by a supplement to the Local Obligations Indenture, issue Additional Local Obligations that are payable from the proceeds of the Special Tax (after payment of Priority Administrative Expenses) on parity with the Local Obligations and the 2020 IA1 Obligations, subject to the following conditions, which conditions are precedent to the issuance of such Additional Local Obligations:

(i) The District shall be in compliance with all agreements, conditions, covenants and terms contained in the Local Obligations Indenture and in all Supplemental Indentures required to be observed or performed by it, and no Event of Default under the Local Obligations Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(ii) The District shall establish a separate subaccount of the Local Obligations Reserve Fund for the payment of such Additional Local Obligations in an amount equal to the Required Bond Reserve; and

(iii) (a) In each year until the maturity date for the Additional Local Obligations, the Maximum Facilities Special Tax for Taxable Property classified as Developed Property, plus the Effective Tax Rate Evaluation Minimum Facilities Revenue (as defined in the Rate and Method of Apportionment) for Taxable Property not classified as Developed Property less Priority Administrative Expenses is estimated to cover at least one hundred ten percent (110%) of the sum of the Annual Debt Service for each year on the Local Obligations, 2020 IA1 Obligations and all Additional Local Obligations, including such Additional Local Obligations to be issued, and (b) the Value of all Taxable Property, in aggregate, is at least three (3) times the aggregate Lien on such Taxable Property.

"Facilities Special Tax" is the annual Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Facilities Special Tax Requirement in accordance with the Rate and Method of Apportionment (each as defined in the Rate and Method of Apportionment).

“Developed Property” means, for purposes of the requirement described above relating to the issuance of Additional Local Obligations, Taxable Property for which a building permit for new construction has been issued as of the date of calculation.

“Maximum Facilities Special Tax” is the total maximum annual Facilities Special Tax, determined in accordance with the provisions of Section C of the Rate and Method of Apportionment, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property (each as defined in the Rate and Method of Apportionment).

“Value” is defined as the current assessed valuation of the Taxable Property and/or the appraised value of the Taxable Property determined by a MAI appraiser. “Lien” is defined in the Local Obligations Indenture as the aggregate principal amount of all overlapping debt and bonds (including the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations) outstanding that are secured by a special tax levied pursuant to the Mello-Roos Act or a special assessment levied on property within the Improvement Area, including any overlapping debt or bonds for community facilities districts or special assessment districts that is reasonably allocated to property within the Improvement Area.

Notwithstanding the foregoing, the District may issue one or more series of Additional Local Obligations (the “Refunding Local Obligations”) without meeting the requirements summarized in paragraph (iii) above if, after the issuance and delivery of such Refunding Local Obligations, either (i) none of the Local Obligations, 2020 IA1 Obligations and Additional Local Obligations theretofore issued under the Local Obligations Indenture will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Refunding Local Obligations is not increased by reason of the issuance of such Refunding Local Obligations.

*Redemption of the Local Obligations.** The Local Obligations are subject to extraordinary redemption by the District from funds derived by the District from prepayments of the Special Tax. The Local Obligations are also subject to optional and mandatory redemption by the District. A description of the redemption prices and terms of the Local Obligations is set forth under APPENDIX C—“SUMMARY OF PRINCIPAL DOCUMENTS—SUMMARY OF THE LOCAL OBLIGATIONS INDENTURE—Redemption of Bonds.”

Selection of Local Obligations for Redemption. If less than all the outstanding Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations are to be redeemed as a result of prepayments of the Special Tax at any one time, the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations shall be redeemed pro rata by maturity. If less than all the outstanding Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations are to be redeemed at the option of the District at any one time, the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations maturing prior thereto, and if less than all the outstanding Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations of any one maturity date are to be redeemed at any one time, the Trustee shall select the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in a manner that it deems appropriate and fair.

* Preliminary, subject to change.

Special Tax Analysis

The following is a synopsis of the provisions of the Rate and Method of Apportionment, which should be read in conjunction with the complete text of the Rate and Method of Apportionment which is attached as APPENDIX A. The definitions of the capitalized terms used under this caption “—Special Tax Analysis” are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method of Apportionment, and is qualified by more complete and detailed information contained in the entire Rate and Method of Apportionment attached as APPENDIX A.

The Special Tax is to be levied and collected against all Taxable Property within the Improvement Area in accordance with the Rate and Method of Apportionment approved by the landowner electors of the Improvement Area. The total annual levy of the Special Tax is calculated to satisfy the annual debt service during the ensuing Fiscal Year, to replenish the reserve fund for the Local Obligations, the allocable portion of administrative expenses, the amount necessary to cure any delinquencies or to fund any deficiency of the amount to be available for the payment of principal or interest on bonds which are expected to occur in the ensuing Fiscal Year, to fund authorized facilities funded on a pay-as-you-go basis, to fund authorized services expenses and to pay amounts required to establish or replenish certain funds related to authorized services, less any available capitalized interest and earnings on the funds that may be used to fund the aforementioned costs.

Assignment to Land Use Categories. Each Fiscal Year, all Assessor’s Parcels within the Improvement Area will be classified by the CFD No. 23 IA1 Administrator as either Taxable Property or Exempt Property. Taxable Property will be further classified as Developed Property, Small Lot Final Map Property, Permit Ready Multi-Family/Non-Residential Property, Large Lot Property, or Undeveloped Property and shall be subject to the levy of the annual Special Tax.

“*Developed Property*” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to June 30 of the previous Fiscal Year.

“*Small Lot Final Map Property*” means, for each Fiscal Year, all Taxable Property for which a Small Lot Final Subdivision Map was recorded prior to June 30 of the previous Fiscal Year.

“*Permit Ready Multi-Family/Non-Residential Property*” means an Assessor’s Parcel of Taxable Property zoned for multi-family or non-residential land use for which all discretionary entitlements have been obtained, including without limitation, development plan review and improvement plan approval, such that building permits may be issued without further approvals for the construction of multi-family Residential Units or non-residential buildings within such Assessor’s Parcel. The City shall have sole discretion, based upon available development information, in classifying an Assessor’s Parcel as Permit Ready Multi-Family/Non-Residential Property.

“*Large Lot Property*” means, for each Fiscal Year, all Taxable Property for which a Large Lot Map was recorded prior to June 30 of the previous Fiscal Year, excluding any portion(s) thereof classified as Developed Property, Small Lot Final Map Property or Permit Ready Multi-Family/Non-Residential Property. Large Lot Property also means, for each Fiscal Year, all Taxable Property classified as Small Lot Final Map Remainder Property as of June 30 of the previous Fiscal Year.

“*Small Lot Final Map Remainder Property*” means an Assessor’s Parcel that is created from the subdivision of Large Lot Property by the recordation of a Small Lot Final Subdivision Map that has not yet been mapped for final development approval. Small Lot Final Map Remainder Property is that portion of property for which the Small Lot Final Subdivision Map definition does not apply (i.e., does not contain individual lots for which building permits may be issued for Residential Units without further

subdivision of such property). Each Fiscal Year, all Taxable Property classified as Small Lot Final Map Remainder Property, as of June 30 of the previous Fiscal Year, will be considered Large Lot Property.

“*Undeveloped Property*” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Small Lot Final Map Property, Permit Ready Multi-Family/Non-Residential Property or Large Lot Property.

“*Single-Family Detached Property – MLD Zoning*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing one or more detached or attached Residential Units with a permitted density range of 7-12 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*Single-Family Detached Property – SF/SFHD Zoning*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing one or more Residential Units. Single-Family Detached Property – SF/SFHD Zoning shall consist of either single-family property with a permitted density range of 1-4 Residential Units per Acre or single-family high density property with a permitted density range of 4-7 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*MMD Multi-Family Attached Property*” means all Assessor’s Parcels for which a building permit could be issued for purposes of constructing one or more attached Residential Units per Assessor’s Parcel with a permitted density range of 12-20 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council.

“*MHD Multi-Family Attached Property*” means all Assessor’s Parcels for which a building permit could be issued for purposes of constructing one or more attached Residential Units per Assessor’s Parcel with a permitted density range of greater than 20 Residential Units per Acre, which is more fully described in the Folsom Plan Area Specific Plan adopted on June 28, 2011 and as amended by the City Council. MHD Multi-Family Attached Property shall also include an Assessor’s Parcel or that portion of an Assessor’s Parcel designated as a Mixed Use Residential Parcel.

“*Mixed Use Residential Parcel*” means a mixed use Assessor’s Parcel that is designated for residential land use. If the mixed use Assessor’s Parcel contains a combination of residential land use and non-residential land use, only that portion of an Assessor’s Parcel designated for residential land use shall be classified as a Mixed Use Residential Parcel and the remaining non-residential land use of the Assessor’s Parcel shall be classified as Non-Residential Property.

“*Non-Residential Property*” means, for each Fiscal Year, all Taxable Property for which a building permit could be issued for purposes of constructing non-residential buildings.

Maximum Special Tax. The Rate and Method of Apportionment is used to allocate the amount of the Special Tax required among the Taxable Property, based upon land use categories, subject to the Maximum Special Tax Rate that may be levied against each land use category.

The following table shows the Effective Tax Rate Evaluation Minimum Facilities Special Tax rates and the Maximum Special Tax rates within the Improvement Area for all anticipated allocable land use categories in Fiscal Year 2022-23. The Effective Tax Rate Evaluation Minimum Facilities Special Tax rates are the minimum rates for the Effective Tax Rate Evaluation Maximum Facilities Special Tax.

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Table 3
City of Folsom
Communities Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Maximum Special Tax Rate Categories
Fiscal Year 2022-23

Tax Category	Residential Floor Area	Effective Tax Rate Evaluation Minimum Facilities Special Tax Rate⁽¹⁾	Effective Tax Rate Evaluation Maximum Facilities Special Tax Rate⁽¹⁾	Maximum Services Special Tax Rate⁽²⁾	Maximum Annual Special Tax⁽³⁾
Developed Property (\$ amounts per residential unit)					
Single-Family Detached Property - SF/SFHD Zoning	≥ 3,600	\$1,976	\$2,431	\$221	\$2,652
Single-Family Detached Property - SF/SFHD Zoning	3,200 - 3,599	1,976	2,431	221	2,652
Single-Family Detached Property - SF/SFHD Zoning	2,800 - 3,199	1,976	2,431	221	2,652
Single-Family Detached Property - SF/SFHD Zoning	2,400 - 2,799	1,976	2,340	221	2,561
Single-Family Detached Property - SF/SFHD Zoning	2,000 - 2,399	1,976	2,193	221	2,414
Single-Family Detached Property - SF/SFHD Zoning	< 2,000	1,976	1,976	221	2,197
Single-Family Detached Property - MLD Zoning	≥ 3,600	2,286	2,635	164	2,799
Single-Family Detached Property - MLD Zoning	3,200 - 3,599	2,286	2,635	164	2,799
Single-Family Detached Property - MLD Zoning	2,800 - 3,199	2,286	2,635	164	2,799
Single-Family Detached Property - MLD Zoning	2,400 - 2,799	2,286	2,635	164	2,799
Single-Family Detached Property - MLD Zoning	2,000 - 2,399	2,286	2,452	164	2,616
Single-Family Detached Property - MLD Zoning	< 2,000	2,286	2,286	164	2,450
Developed Property (\$ amounts per acre)					
MMD Multi-Family Attached Property	N/A	\$31,212	\$31,212	\$526	\$31,738
MHD Multi-Family Attached Property	N/A	12,173	12,173	1,052	13,225
Non-Residential Property	N/A	12,173	12,173	1,052	13,225
Small Lot Final Map Property (\$ amounts per residential lot)					
Single-Family Detached Property - SF/SFHD Zoning	N/A	N/A	\$1,976	\$221	\$2,197
Single-Family Detached Property - MLD Zoning	N/A	N/A	2,286	164	2,450
Permit Ready Multi-Family/Non-Residential Property (\$ amounts per acre)	N/A	N/A	\$12,173	\$ 1,052	\$13,225
Large Lot Property (\$ amounts per acre)	N/A	N/A	\$23,409	\$1,473	\$24,882
Undeveloped Property (\$ amounts per acre)	N/A	N/A	\$23,409	\$1,473	\$24,882

⁽¹⁾ Increases by 2% each Fiscal Year.

⁽²⁾ Increases by the annual June consumer price index change for the San Francisco-Oakland-San Jose area, not to exceed 4% each Fiscal Year. Available to pay debt service on the Local Obligations, the 2020 IA1 Obligations and any Additional Local Obligations in the event of a shortfall in the Facilities Special Tax (as defined in the Local Obligations Indenture). Estimated to increase by 2% for Fiscal Year 2022-23.

⁽³⁾ The sum of the Effective Tax Rate Evaluation Maximum Facilities Special Tax and the Maximum Services Special Tax.

Source: NBS and the District.

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The total Special Tax generated by the Improvement Area may change from time to time if there are amendments or modifications to the development plan. The District covenants in the Local Obligations Indenture to not approve any amendments, changes or modifications relating to development of the property within the Improvement Area that would reduce the amount of the Maximum Facilities Special Tax less Priority Administrative Expenses to equal less than one hundred ten percent (110%) of the sum of the Annual Debt Service on the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations in any year until the maturity date for the Local Obligations, 2020 IA1 Obligations and any Additional Local Obligations.

Tables 4 and 5 under “—Special Tax Calculation” collectively show the estimated maximum and projected actual amounts of Special Tax revenue for Fiscal Year 2022-23 using the development status of the properties as of March 8, 2022 (unless otherwise noted). Table 4 shows the Fiscal Year 2022-23 estimated Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues, based on the development status of the properties as of March 8, 2022 (unless otherwise noted). If changes are made to development plans for the Improvement Area, the projected Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues may decrease from the amounts shown in that table, but in no event will the Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues decrease below the Effective Tax Rate Evaluation Minimum Facilities Revenue. Table 5 shows the estimated total Special Tax levy for Fiscal Year 2022-23 based on the properties’ development status as of March 8, 2022 (unless otherwise noted), including both the estimated Facilities Special Tax levy and the estimated Services Special Tax levy for Fiscal Year 2022-23, and the percentage of the estimated Special Tax levy allocable to each of the projected property owners.

Included below are additional relevant defined terms used in the Rate and Method of Apportionment.

“*Effective Tax Rate Evaluation Minimum Facilities Revenue*” means, following the Effective Tax Rate Evaluation, the total minimum amount of CFD No. 23 IA1 Effective Tax Rate Evaluation Maximum Facilities Special Tax, as adjusted annually by the Facilities Special Tax Escalation Factor after the Fiscal Year in which the Effective Tax Rate Evaluation occurs, less any Effective Tax Rate Evaluation Maximum Facilities Special Tax amounts prepaid and permanently satisfied pursuant to Section K. The Effective Tax Rate Evaluation Minimum Facilities Revenue, based on Planned Development, is set forth in Attachment D of the Rate and Method of Apportionment.

“*Effective Tax Rate Evaluation Maximum Facilities Special Tax*” means the total maximum annual Facilities Special Tax, as determined during the Effective Tax Rate Evaluation, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“*Effective Tax Rate Evaluation*” means an evaluation of the Total Effective Tax Rate of Residential Property at the time of such evaluation. The Effective Tax Rate Evaluation will be based upon a prepared Price Point Study to determine the Total Effective Tax Rate for Residential Property, based upon the calculated Total Estimated Tax Burden.

“*Total Effective Tax Rate*” means the percentage of the Total Estimated Tax Burden as compared to the estimated average sales price identified in the Price Point Study for each land use category of Residential Property.

“*Total Estimated Tax Burden*” means the total amount of overlapping property taxes anticipated to be levied upon a Residential Unit, based upon the estimated average sales price identified in the Price Point Study and existing property tax rates for the current Fiscal Year. Existing property tax rates shall

reflect the actual property tax rates levied upon Taxable Property in the Fiscal Year that the Effective Tax Rate Evaluation is completed.

Future Assessor's Parcel Changes. The Effective Tax Rate Evaluation Maximum Facilities Special Tax shall be assigned to all future Assessor's Parcel(s) created from a subdivision, lot line adjustment, or merger of one or more Assessor's Parcels so that the revised total Effective Tax Rate Evaluation Maximum Facilities Special Tax revenue is not less than the total Effective Tax Rate Evaluation Minimum Facilities Revenue amount described in the Rate and Method of Apportionment.

Method of Apportionment – Facilities Special Tax. The CFD No. 23 IA1 Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax until the amount of Facilities Special Taxes equals the Facilities Special Tax Requirement. The Facilities Special Tax shall be levied each Fiscal Year as follows:

- First:* The Facilities Special Tax shall be levied Proportionately on all Developed Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax in order to satisfy the Facilities Special Tax Requirement.
- Second:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first step has been completed, the Facilities Special Tax shall be levied Proportionately on all Small Lot Final Map Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Small Lot Final Map Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.
- Third:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first two steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Permit Ready Multi-Family/Non-Residential Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Permit Ready Multi-Family/Non-Residential Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.
- Fourth:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first three steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Large Lot Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Large Lot Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.
- Fifth:* If additional monies are needed to satisfy the Facilities Special Tax Requirement after the first four steps have been completed, the Facilities Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Effective Tax Rate Evaluation Maximum Facilities Special Tax. The Facilities Special Tax shall be levied on Undeveloped Property for the entire portion of the Facilities Special Tax Requirement, excluding only Pay As You Go Costs.

Method of Apportionment – Services Special Tax. The CFD No. 23 IA1 Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax until the amount of Services Special Taxes equals the Services Special Tax Requirement. The Services Special Tax shall be

levied each Fiscal Year as follows:

- First:* The Services Special Tax shall be levied Proportionately on all Developed Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.
- Second:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first step has been completed, the Services Special Tax shall be levied Proportionately on all Small Lot Final Map Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.
- Third:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first two steps have been completed, the Services Special Tax shall be levied Proportionately on all Permit Ready Multi-Family/Non-Residential Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.
- Fourth:* If additional monies are needed to satisfy the Services Special Tax Requirement after the first three steps have been completed, the Services Special Tax shall be levied Proportionately on all Large Lot Property at a rate up to 100% of the Maximum Services Special Tax in order to satisfy the Services Special Tax Requirement.

“*Special Tax*” means the annual Facilities Special Tax and Services Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Facilities Special Tax Requirement and the Services Special Tax Requirement.

“*Facilities Special Tax Requirement*” means that amount of Special Tax revenue required in any Fiscal Year for the Improvement Area to: (i) Pay Facilities Administrative Expenses in an amount designated by the City; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and known upcoming delinquencies; and (vi) pay for Pay As You Go Costs; less (vii) a credit for funds available to reduce the annual Facilities Special Tax levy as determined by the CFD No. 23 IA1 Administrator pursuant to the Indenture.

“*Services Special Tax Requirement*” means the amount of Services Special Tax revenue required in any Fiscal Year for the Improvement Area to: (i) Pay Services Administrative Expenses in an amount designated by the City; (ii) pay Authorized Services expenses; (iii) pay any amounts required to establish or replenish any repair and contingency funds, capital improvement funds, or reserve funds related to the Authorized Services expenses; (iv) cover any shortfalls that exist if, in any Fiscal Year, the levy of the Facilities Special Tax on each Assessor’s Parcel of Taxable Property is insufficient to pay the Facilities Special Tax Requirement in that Fiscal Year (Facilities Special Tax Requirement shortfalls shall not include Pay As You Go Costs), and (v) pay for reasonably anticipated delinquent Services Special Taxes based on the delinquency rate for Services Special Taxes levied in the previous Fiscal Year; less (vi) a credit for funds available to reduce the annual Services Special Tax levy as determined by the CFD No. 23 IA1 Administrator.

In accordance with the flow of Special Tax proceeds under the Local Obligations Indenture, in the event of a shortfall in the Facilities Special Tax to pay the Facilities Special Tax Requirement, the proceeds of the Services Special Tax will be applied to help cover the Facilities Special Tax shortfall before being applied to fund Authorized Services. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Local Obligations Flow of Funds.”

Residential Property Limitation. Under no circumstances will the Facilities Special Tax levied in any fiscal year against Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Improvement Area by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Pursuant to the Rate and Method of Apportionment, property is considered “Residential Property” once a building permit could be issued for the purposes of constructing one or more Residential Units, including either single family detached homes or multi-family attached properties, such as apartments. See “CERTAIN RISKS TO BONDHOLDERS—Maximum Special Tax.”

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Special Tax Calculation

The following tables reflect the estimated Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues for Fiscal Year 2022-23 (Table 4) and the estimated total Special Tax levy for Fiscal Year 2022-23 (Table 5), each based on the development status of the properties as of March 8, 2022 (unless otherwise noted). For Table 4, the estimated Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues for Small Lot Final Map Property are equal to the Effective Tax Rate Evaluation Minimum Facilities Revenues until a building permit is issued for such property. The following tables do not necessarily reflect the Special Tax that will be actually levied in any year. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements” for a discussion of the anticipated timing of the final map approval for Villages 3, 5 and 6.

Table 4
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue
Development Status as of March 8, 2022 (unless otherwise noted)

<u>Property</u>	<u>Planned Units</u>	<u>Appraised Value⁽¹⁾</u>	<u>Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue⁽²⁾⁽³⁾</u>	<u>Percentage of Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue</u>
Developed Property:				
Single-Family Detached Property - SF/SFHD Zoning	80	\$30,160,608	\$174,223	11%
Single-Family Detached Property - MLD Zoning	<u>140</u>	<u>62,835,567</u>	<u>335,936</u>	<u>22%</u>
Developed Property Total:	220	\$92,996,175	\$510,159	33%
Small Lot Final Map Property⁽⁴⁾⁽⁷⁾:				
Single-Family Detached Property - SF/SFHD Zoning	361	\$65,145,871	\$713,231	46%
Single-Family Detached Property - MLD Zoning	<u>82</u>	<u>21,081,481</u>	<u>187,432</u>	<u>12%</u>
Small Lot Final Map Property Total:	443	\$86,227,352	\$900,663	58%
Remaining Lots:				
Permit Ready Multi-Family/Non-Residential Property ⁽⁵⁾	<u>265</u>	<u>4,096,128</u>	<u>\$129,882</u>	<u>8%</u>
Remaining Lots Total:	265	4,096,128	\$129,882	8%
Total Effective Tax Rate Maximum Facilities Revenue⁽⁶⁾:	928	\$183,319,655	\$1,540,704	100%

⁽¹⁾ Appraised value amounts provided by the Appraiser.

⁽²⁾ Increases by 2% each Fiscal Year.

⁽³⁾ The 2022-23 Effective Tax Rate Evaluation Minimum Facilities Revenue amount is \$1,498,023.

⁽⁴⁾ Villages 3, 5 and 6 Small Lot Final Maps are scheduled to record prior to June 30, 2022.

⁽⁵⁾ Dollar amounts per acre.

⁽⁶⁾ Totals may not sum due to rounding.

⁽⁷⁾ Reflects the estimated Fiscal Year 2022-23 Effective Tax Rate Evaluation Minimum Facilities Revenues, which is equal to the Effective Tax Rate Evaluation Maximum Facilities Special Tax revenues until a building permit is issued for such properties.

Source: NBS.

Table 5
City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1
Estimated 2022-23 Special Tax Levy
Development Status as of March 8, 2022 (unless otherwise noted)

Property and Owner	Development Status	Planned Units	Estimated Facilities Special Tax Levy⁽¹⁾	Percent of Estimated Facilities Special Tax Levy	Estimated Services Special Tax Levy	Estimated Total Special Tax Levy	Percent of Estimated Total Special Tax Levy
Village 4 – KB HOME Sacramento	Developed Property	38	\$80,746	6%	\$8,396	\$89,142	6%
Village 4 – KB HOME Sacramento	Small Lot Final Map Property	20	33,417	3%	4,419	37,836	3%
Village 5 – KB HOME Sacramento ⁽²⁾	Small Lot Final Map Property	83	145,365	11%	19,223	164,587	12%
Village 6 – KB HOME Sacramento ⁽²⁾	Small Lot Final Map Property	70	110,277	9%	14,583	124,859	9%
Village 8 – KB HOME Sacramento	Developed Property	2	4,921	0%	328	5,249	0%
Village 8 – KB HOME Sacramento	Small Lot Final Map Property	34	65,724	5%	5,580	71,304	5%
Total for KB HOME Sacramento:		247	\$440,450	35%	\$52,529	\$492,979	35%
Village 1 – CMB/Tri Pointe ⁽³⁾	Developed Property	11	\$26,105	2%	\$2,430	\$28,535	2%
Village 1 – CMB/Tri Pointe ⁽³⁾	Small Lot Final Map Property	77	128,656	10%	17,013	145,669	10%
Village 2 – CMB/Tri Pointe ⁽³⁾	Developed Property	16	35,703	3%	3,535	39,238	3%
Village 2 – CMB/Tri Pointe ⁽³⁾	Small Lot Final Map Property	58	96,910	8%	12,815	109,725	8%
Total for Tri Pointe:		162	\$287,374	23%	\$35,794	\$323,168	23%
Village 10 – Lennar	Developed Property	51	\$119,070	9%	\$8,371	\$127,441	9%
Village 10 – Lennar	Small Lot Final Map Property	44	85,055	7%	7,222	92,276	7%
Total for Lennar:		95	\$204,125	16%	\$15,592	\$219,717	16%
Village 3 – Beazer Homes ⁽²⁾	Small Lot Final Map Property	53	\$88,556	7%	\$11,710	\$100,266	7%
Village 7 – Signature Homes	Developed Property	36	\$88,846	7%	\$5,909	\$94,755	7%
Village 7 – Signature Homes	Small Lot Final Map Property	4	7,732	1%	657	8,389	1%
Total for Signature Homes:		40	\$96,578	8%	\$6,565	\$103,143	7%
Individual Homeowners	Developed Property	66	\$154,767	12%	\$11,685	\$166,452	12%
Lots C and D – ECIC	Permit Ready Multi-Family/Non-Residential Property	265	--	--	\$11,227	\$11,227	1%
Totals⁽⁴⁾:		928	\$1,271,850	100%	\$145,102	\$1,416,952	100%

(1) Based on estimated debt service requirements for the Bonds plus Priority Administrative Expenses of \$20,400.

(2) Small Lot Final Maps for Villages 3, 5 and 6 are scheduled to record prior to June 30, 2022.

(3) Tri Pointe has contracted to purchase the Village 1 and Village 2 properties through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

(4) Totals may not sum due to rounding.

Source: NBS.

The Teeter Plan

In 1949, the State Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of the Teeter Plan by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Sacramento County Board of Supervisors has adopted the Teeter Plan. Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “CERTAIN RISKS TO BONDHOLDERS—Teeter Plan Termination.”

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The Special Tax for the District will be submitted to the County for direct levy. By submitting the Special Tax to the County, the District has agreed to allow the District to participate in the County’s Teeter Plan. The County annually determines whether to include a particular direct levy and may make that determination on a district by district basis or a parcel by parcel basis. In addition, the County may not decide to include a particular parcel or district that had been included in its Teeter Plan in the previous year. The District can provide no assurance that the County will continue to include the District or any improvement area therein, including the Improvement Area, in the Teeter Plan.

To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, the County’s Teeter Plan may help protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, effective April 20, 2015 (the “JPA Agreement”), between the City and the City of Folsom South of 50 Parking Authority. The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State. The Authority was created for the purpose of facilitating financing of public improvement facilities within the City south of US Route 50.

THE CITY

The Improvement Area is located in the City, which is located in the easterly section of the Sacramento metropolitan area approximately 22 miles east of the central business district of the City of Sacramento.

Certain economic and demographic information with respect to the City is contained in APPENDIX B. This information is presented solely as background information. The Local Obligations are not general obligations of the City but, rather, are special tax obligations of the District secured solely by the Special Taxes to be paid by the owners of property in the Improvement Area and funds held pursuant to the Local Obligations Indenture.

THE IMPROVEMENT AREA

General Description and Location

The District is a community facilities district organized by the City Council as the legislative body of the District under the Mello-Roos Act for the purpose of providing for the acquisition and construction of certain public improvements and the financing of certain services to serve property within the District. The City established the District on May 26, 2020, and designated six separate improvement areas therein, including the Improvement Area. On May 26, 2020, elections were held within the Improvement Area and the other improvement areas within the District at which the eligible voters in each improvement area approved the levy of special taxes in accordance with the respective Rate and Method of Apportionment of Special Tax for such improvement area. In addition, the eligible voters in the Improvement Area authorized the issuance of bonds in an amount not to exceed \$76,000,000 for the Improvement Area. The District expects that such bonds and any bonds issued for the other improvement areas within the District from time to time will be issued to finance the authorized public facilities for the benefit of the District. With respect to the Improvement Area, such bonds will be issued only in accordance with the provisions of the Local Obligations Indenture. The total bonded indebtedness authorized in the Improvement Area will be limited by the requirements of the Local Obligations Indenture, including the following requirements relating to any Additional Local Obligations: a 3:1 overlapping value to lien ratio on all land projected to be subject to the levy of the Special Tax and 110% annual coverage from the Maximum Facilities Special Tax for Taxable Property classified as Developed Property (as defined in the Local Obligations Indenture), plus the Effective Tax Rate Evaluation Minimum Facilities Revenue for Taxable Property not classified as Developed Property (as defined in the Local Obligations Indenture) less Priority Administrative Expenses. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS— Terms of the Local Obligations—*Additional Local Obligations.*”

The Improvement Area is located in the southern portion of the City, east of East Bidwell Street, west of Placerville Road, north of Mangini Parkway and south of U.S. Highway 50 and consists of over 205 total gross acres, of which approximately 109 acres are expected to constitute Taxable Property subject to the Special Tax. The remainder of the property will include an elementary school, a fire station, a police substation, parks, trails and additional acreage planned for open space. Development

within the Improvement Area is planned to include, at the time of full build-out, 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units, for a total of 928 units. Both the single-family high density units and the multi-family low density units, representing 663 total residences, are expected to be developed as detached single-family homes, and the 265 multi-family high density units are expected to be constructed as for-rent apartments. The maps appearing on the inside cover pages show the general location of the District and the Improvement Area.

Presently, the Improvement Area includes properties in varying stages development, including partially-improved lots, improved lots, homes under construction and completed homes. Collectively, these properties are planned to include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units that are expected to be constructed as for-rent apartments. Construction of the public improvements and backbone infrastructure in the Improvement Area is currently underway and has been completed for some properties, as more particularly described “PROPOSED PROPERTY DEVELOPMENT—Development Plans of Finance.”

The Improvement Area is located southwest of a residential community under current development known as Russell Ranch that is expected to include over 1,000 single family dwellings at full build-out, is immediately north of Mangini Ranch, a partially developed residential community that is also expected to include over 1,000 single family dwelling units at full build-out, and is northwest of an additional residential community known as White Rock Springs that is also under development and expected to include over 420 single family dwellings.

Property Values

An appraisal of the land within the Improvement Area has been prepared by the Appraiser in connection with the issuance of the Bonds. The appraisal estimates the land value as of February 18, 2022 (the “Appraisal”). The Appraisal is attached to this Official Statement as APPENDIX G.

As of the date of inspection, the Appraiser notes that development of the property is underway. The subject property was valued based on the hypothetical conditions that (i) proceeds from the Bonds will be used to reimburse infrastructure improvements and (ii) the improvements to be financed by proceeds of the Bonds have been completed. The Appraisal is based on land values at the time of inspection. The Appraisal is also based on the extraordinary assumption expressed therein that the Improvement Area is located in a tax rate area with a corresponding, effective ad valorem property tax rate of 1.4377%, which may change.

Subject to the assumptions, extraordinary assumption, hypothetical condition and limiting conditions, the Appraiser estimated that the value of the land within the Improvement Area, as of February 18, 2022, in aggregate, is \$183,319,655. See “PROPOSED PROPERTY DEVELOPMENT—Development Plan and Status of Development” below and APPENDIX G – “APPRAISAL.”

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Value-to-Lien Analysis

The following tables set forth the ratios of the appraised bulk value of the land to the total liens on the property in the Improvement Area. Table 6 shows the value-to-lien ratios for the Improvement Area as well as for the individual villages, Table 7 shows the value-to-lien ratios for the Improvement Area based on the development status of the property and Table 8 shows the value-to-lien ratios for the Improvement Area based on the owner of the property (which in some cases reflects the expected future owner). See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements.” The value-to-lien ratio for the Improvement Area based solely on the Local Obligations, the 2020 IA1 Obligations and the appraised aggregate value of the land within the Improvement Area is 7.0*:1.0. The overall value to overlapping debt ratio including direct and overlapping assessment and special tax debt is 5.9*:1.0 (see “—Overlapping Debt”). Any bonds secured by special assessments or special taxes issued from time to time may have the effect of reducing the value to lien ratio on property within the Improvement Area.

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* Preliminary, subject to change.

**Table 6
City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1
Appraised Value-to-Lien Ratios**

Development Status⁽¹⁾	Planned Units	Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue⁽²⁾	Estimated 2022-23 Facilities Special Tax Levy⁽³⁾	Appraised Value⁽⁴⁾	Share of Local Obligations^{(5)*}	Share of 2020 IA1 Obligations⁽⁵⁾	Overlapping Debt	Appraised Value To Lien^{(6)*}	Appraised and Overlapping Debt Value to Lien Ratio^{(6)*}
Village 2 – Developed/Small Lot Final Map Property	74	\$150,294	\$132,613	\$18,972,239	\$1,379,986	\$1,347,663	\$310,723	7.0	6.2
Village 4 – Developed/Small Lot Final Map Property	73	151,929	145,832	28,218,011	1,517,543	1,481,998	889,232	9.4	7.3
Village 7 – Developed/Small Lot Final Map Property	68	167,517	166,106	31,621,912	1,728,514	1,688,027	748,647	9.3	7.6
Village 8 – Developed/Small Lot Final Map Property	36	82,637	70,645	10,369,541	735,141	717,922	441,550	7.1	5.5
Village 10 – Developed/Small Lot Final Map Property	118	273,214	257,696	41,925,595	2,681,611	2,618,800	1,188,217	7.9	6.5
Village 1 – Small Lot Final Map Property	88	178,234	154,761	22,176,842	1,610,456	1,572,735	401,379	7.0	6.2
Village 3 – Small Lot Final Map Property ⁽⁷⁾	53	104,713	88,556	4,422,226	921,518	899,934	209,651	2.4	2.2
Village 5 – Small Lot Final Map Property ⁽⁷⁾	83	171,887	145,365	12,235,249	1,512,681	1,477,250	341,017	4.1	3.7
Village 6 – Small Lot Final Map Property ⁽⁷⁾	70	130,397	110,277	9,281,913	1,147,551	1,120,672	254,470	4.1	3.7
Remaining Lots C and D	265	129,882	--	4,096,128	--	--	327,682	N/A	12.5
Total	928	\$1,540,704	\$1,271,850	\$183,319,655	\$13,235,000	\$12,925,000	\$5,112,568	7.0	5.9

* Preliminary, subject to change.

(1) As of March 8, 2022, unless otherwise noted.

(2) Increases by 2% each Fiscal Year. The 2022-23 Effective Tax Rate Evaluation Minimum Facilities Revenue amount is \$1,498,023.

(3) Based on estimated debt service requirements for the Bonds plus Priority Administrative Expenses of \$20,400.

(4) Appraised value amounts provided by the Appraiser. See “—Property Values.”

(5) Allocated based on the projected Fiscal Year 2022-23 Special Tax levy assuming the final small lot map for Villages 3, 5 and 6 record prior to June 30, 2022.

(6) Value to lien ratio is for the Local Obligations. Local Obligations are issued in the same principal amount of the Bonds.

(7) Small lot final maps for Villages 3, 5 and 6 are scheduled to record prior to June 30, 2022.

Source: Except as otherwise noted, NBS.

Table 7
City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1
Appraised Value-to-Lien Ratios

Development Status⁽¹⁾	Planned Units	Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue⁽²⁾	Estimated 2022-23 Facilities Special Tax Levy⁽³⁾	Appraised Value⁽⁴⁾	Share of Local Obligations^{(5)*}	Share of 2020 IA1 Obligations⁽⁵⁾	Overlapping Debt	Appraised Value To Lien^{(6)*}	Appraised and Overlapping Debt Value to Lien Ratio^{(6)*}
Developed Property	220	\$510,159	\$510,159	\$92,996,175	\$5,308,763	\$5,184,417	\$2,144,126	8.9	7.4
Small Lot Final Map Property ⁽⁷⁾	443	900,663	761,691	86,227,352	7,926,237	7,740,583	2,640,759	5.5	4.7
Remaining Lots C and D	265	129,882	--	4,096,128	--	--	327,682	N/A	12.5
Total	928	\$1,540,704	\$1,271,850	\$183,319,655	\$13,235,000	\$12,925,000	\$5,112,568	7.0	5.9

* Preliminary, subject to change.

(1) As of March 8, 2022, unless otherwise noted.

(2) Increases by 2% each Fiscal Year. The 2022-23 Effective Tax Rate Evaluation Minimum Facilities Revenue amount is \$1,498,023.

(3) Based on estimated debt service requirements for the Bonds plus Priority Administrative Expenses of \$20,400.

(4) Appraised value amounts provided by the Appraiser. See “—Property Values.”

(5) Allocated based on the projected Fiscal Year 2022-23 Special Tax levy assuming the final small lot map for Villages 3, 5 and 6 record prior to June 30, 2022.

(6) Value to lien ratio is for the Local Obligations. Local Obligations are issued in the same principal amount of the Bonds.

(7) Small lot final maps for Villages 3, 5 and 6 are scheduled to record prior to June 30, 2022.

Source: Except as otherwise noted, NBS.

**Table 8
City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1
Appraised Value-to-Lien Ratios by Ownership Group**

Ownership Group	Planned Units	Estimated 2022-23 Effective Tax Rate Evaluation Maximum Facilities Revenue⁽¹⁾	Estimated 2022-23 Facilities Special Tax Levy⁽²⁾	Appraised Value⁽³⁾	Share of Local Obligations^{(4)*}	Share of 2020 IA1 Obligations⁽⁴⁾	Overlapping Debt	Appraised Value To Lien^{(5)*}	Appraised and Overlapping Debt Value to Lien Ratio^{(5)*}
KB HOME Sacramento	247	\$505,181	\$440,450	\$50,279,713	\$4,583,368	\$4,476,013	\$1,737,856	5.6	4.7
Tri Pointe/CMB	162	328,529	287,374	41,149,081	2,990,442	2,920,398	712,102	7.0	6.2
Lennar	95	219,643	204,125	27,320,595	2,124,145	2,074,392	950,590	6.5	5.3
Beazer	53	104,713	88,556	4,422,226	921,518	899,934	209,651	2.4	2.2
Signature Homes	40	97,989	96,578	12,581,912	1,005,001	981,461	446,715	6.3	5.2
Individual Homeowners	66	154,767	154,767	43,470,000	1,610,525	1,572,803	727,972	13.7	11.1
Remaining Lots C and D - ECIC	265	129,882	--	4,096,128	--	--	327,682	N/A	12.5
Total	928	\$1,540,704	\$1,271,850	\$183,319,655	\$13,235,000	\$12,925,000	\$5,112,568	7.0	5.9

* Preliminary, subject to change.

⁽¹⁾ Increases by 2% each Fiscal Year. The 2022-23 Effective Tax Rate Evaluation Minimum Facilities Revenue amount is \$1,498,023.

⁽²⁾ Based on estimated debt service requirements for the Bonds plus Priority Administrative Expenses of \$20,400.

⁽³⁾ Appraised value amounts provided by the Appraiser. See “—Property Values.”

⁽⁴⁾ Allocated based on the projected Fiscal Year 2022-23 Special Tax levy assuming the final small lot map for Villages 3, 5 and 6 record prior to June 30, 2022.

⁽⁵⁾ Value to lien ratio is for the Local Obligations. Local Obligations are issued in the same principal amount of the Bonds.

Source: Except as otherwise noted, NBS.

Estimated Tax Burden on Single Family Home

The following table sets forth the estimated total tax burden on single-family high density residential property (SFHD) and multi-family low density residential property (MLD) within the Improvement Area, presented as an estimate of the majority of proposed homes to be constructed in the Improvement Area, based on estimated tax rates for Fiscal Year 2021-22.

Table 9
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Single Family Residential Property Sample Property Tax Bill
Estimated Charges for Fiscal Year 2021-22

	SFHD	MLD
Assessed Value⁽¹⁾	\$655,000	\$635,000
Less: Homeowner Exemption	(7,000)	(7,000)
Net Assessed Value	\$648,000	\$628,000
Ad Valorem⁽²⁾	Tax Rate	
General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$6,480.00
Los Rios College General Obligation	0.0249%	161.35
Folsom-Cordova Unified School District Improvement Dist. 2	0.0247%	160.06
Folsom-Cordova Unified School District Improvement Dist. 3	0.3881%	2,514.89
Total Ad Valorem Taxes	1.4377%	\$9,316.30
Special/Direct Assessments and Taxes		
Folsom Community Facilities District No. 23 (Folsom Ranch) – Facilities ⁽³⁾	\$1,936.98	\$2,240.94
Folsom Community Facilities District No. 23 (Folsom Ranch) – Services ⁽⁴⁾	216.62	160.92
Folsom Community Facilities District No. 17 (Willow Hill Pipeline) ⁽⁵⁾	75.45	46.78
Folsom Community Facilities District No. 18 (Folsom Plan Area) ⁽⁵⁾	1,016.80	751.39
Sacramento Area Flood Control ⁽⁶⁾	1.50	1.50
Total Special/Direct Assessments and Taxes	\$3,247.35	\$3,201.53
Total Estimated Annual Property Taxes	\$12,563.65	\$12,230.29
Effective Tax Rate⁽⁷⁾	1.9181%	1.9260%

(1) Estimated based upon the minimum appraisal value for a sample single-family high density unit and a sample multi-family low density unit, per the Appraisal prepared by the Appraiser.

(2) Based upon 2021-22 Sacramento County ad valorem property tax rates for TRA 04-035 and 04-036.

(3) 2021-22 Effective Tax Rate Evaluation Maximum Annual Facilities Special Tax for a single-family high density unit and a multi-family low density unit with less than 2,000 square feet. The Effective Tax Rate Evaluation Maximum Annual Facilities Special Tax escalates annually at 2%.

(4) 2021-22 Maximum Annual Services Special Tax for a single-family high density unit and a multi-family low density unit with less than 2,000 square feet. The Maximum Annual Services Special Tax escalates annually based upon the annual June CPI Change, for the San Francisco-Oakland-San Jose are, not to exceed 4%.

(5) 2021-22 Maximum Annual Special Tax. The Maximum Annual Special Tax excludes the Willow Hill Pipeline Special Tax, which is currently reflected under Folsom Community Facilities District No. 17 (Willow Hill Pipeline). The Area-Wide Special Tax escalates annually at 2% and the Maintenance Special Tax and TDM Services Special Tax escalate annually based upon the annual June CPI Change, for the San Francisco-Oakland-San Jose are, not to exceed 4%.

(6) Approximate assessment for residential lots, based on size.

(7) Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development or any other imposed requirement. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.

Overlapping Debt

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the Improvement Area. Additional indebtedness could be authorized by other public agencies at any time. Further, a portion of the overlapping debt shown in the table below is based on the assessed value of the underlying property, which can be expected to increase over time as development occurs and the assessed value grows. This table has been prepared by California Municipal Statistics, Inc. as of March 1, 2022, and is included for general information purposes only. Other than with respect to CFD 17, the table below allocates overlapping debt based on the assessed value of property and not on taxes paid. The District and the Authority have not reviewed the data for completeness or accuracy and make no representations in connection therewith.

CFD 17 authorized up to \$8,000,000 of bonds. In addition to CFD 17 and the District, the City has formed CFD 18, which the District overlaps, and the City Council of the City has authorized the issuance of \$200,000,000 in bonds to be secured by a special tax on property within CFD 18 on parity with the Special Tax in the Improvement Area. The timing of issuance of bonds for CFD 18 is dependent upon market conditions and development within the Folsom Plan Area, and the City currently anticipates that an initial series of CFD 18 bonds will be issued in the second half of 2022 to help finance the required Phase 2 Water Facilities (as defined herein). A portion of any bonds issued for CFD 18 will constitute overlapping debt. Other community facilities districts formed in the Folsom Ranch area will overlap CFD 18 and potentially CFD 17 but are not expected to overlap the District.

Direct assessments and levies payable with respect to property within the Improvement Area could potentially include up to \$750 million of general obligation bonds for the School Facilities Improvement District No. 3 of the Folsom Cordova Unified School District (“SFID 3”), approved by voters on March 27, 2007. SFID 3 encompasses approximately 52.6 square miles of land including the District and additional territory outside of the District, including territory in the City of Rancho Cordova and unincorporated Sacramento County. As of February 7, 2022, general obligation bonds in the aggregate principal amount of approximately \$195.6 million had been issued and approximately \$188.4 million were outstanding for SFID 3. At the time of the election approving the SFID 3 general obligation bonds, the ballot summary indicated the average tax rate per \$100,000 assessed valuation would be \$73.61. For 2021-22, the actual SFID 3 tax rate per \$100,000 was approximately \$388.10. The following table sets forth the ad valorem tax rates for SFID 3 over the past five years. The future tax levy per property owner in SFID 3 may vary depending on future bond issuance and/or changes in assessed value.

Table 10
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
SFID 3 Ad Valorem Rates

Year	Rate ⁽¹⁾
2021-22	0.3881%
2020-21	0.2065%
2019-20	0.1366%
2018-19	0.1451%
2017-18	0.1878%

⁽¹⁾ TRAs 04-035 and 04-036
Source: NBS.

**Table 11
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Overlapping Debt**

2021-22 Local Secured Assessed Valuation: \$68,922,617 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/22</u>
Los Rios Community College District	0.030%	\$ 148,927
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	0.430	59,974
Folsom-Cordova Unified School District School Facilities Improvement District No. 3	2.407	4,532,976
City of Folsom Community Facilities District No. 17	6.315	370,691
City of Folsom Community Facilities District No. 23, I.A. 1	100.	<u>12,925,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$18,037,568
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	0.036%	\$ 46,199
Sacramento County Pension Obligation Bonds	0.036	225,165
Sacramento County Board of Education Certificates of Participation	0.036	949
City of Folsom General Fund Obligations	0.416	<u>4,160</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$276,473
Less: Sacramento County supported obligations		<u>4,947</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$271,526
 COMBINED TOTAL DEBT		 \$18,314,041 ⁽²⁾

(1) Excludes Mello-Roos Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2021-22 Local Secured Assessed Valuation:

Direct Debt (\$12,925,000)	18.75%
Total Direct and Overlapping Tax and Assessment Debt.....	26.17%
Combined Total Debt.....	26.57%

Source: California Municipal Statistics, Inc.

PROPOSED PROPERTY DEVELOPMENT

Development Entitlements

Specific Plan. On June 28, 2011, the City Council approved the Specific Plan for the development of 10,210 residential homes along with commercial, industrial/office park, open space, public schools, parks, infrastructure and other land uses on the 3,513.4 acre site of the Folsom Plan Area. At build out, projected to occur over a 20-year time frame, the Folsom Plan Area is projected to have a population of approximately 24,362 persons. Along with the 1,455.6 acres of residential development, the adopted Specific Plan called for 511.3 acres of commercial, office/industrial and mixed-use, 309.5 acres of public and quasi-public use (public and private schools, parks and infrastructure); 173.6 acres of major roads and 1,063 acres of open space.

Various property owners have submitted and received approvals of Specific Plan Amendments (“SPA’s”) since the 2011 City Council adoption. These approved SPA’s have resulted in various land use changes compared to the Specific Plan that was originally approved in 2011, including an increase in the total entitled unit count to 11,461 dwelling units and reduction to approximately 2.8 million square feet of commercial, office/industrial and mixed use.

Through a Minor Administrative Modification for the Improvement Area, the Specific Plan was modified to allow for the adjustment of a common lot line between an elementary school site and seven residential lots in order to accommodate a wider street path that provides improved emergency access. The minor modification was approved by the City's Community Development Director and confirmed through a letter dated April 20, 2020.

The Specific Plan is designed to guide and regulate the development for the area within the City south of US Route 50.

Tentative and Final Mapping. On February 13, 2018, the City Council approved a large lot vesting tentative map and a small lot vesting tentative map for the subject property known as "Mangini Ranch Phase 2," which corresponds to the Improvement Area. The large lot final map was recorded on July 2, 2019 and consisted of 26 large lot parcels corresponding to the approved land use plan for residential and non-residential parcels, including future City-owned parcels offered for dedication. Subsequent to the large lot final map recording, the following small lot final maps were recorded: (i) for Village 7 on December 17, 2019, (ii) for Villages 4 and 8 on August 10, 2020, (iii) for Village 10 on January 21, 2021 and (iv) for Villages 1 and 2 on October 28, 2021. Also, in February 2021, a Specific Plan Amendment, Planned Development and Design Review Permit was approved by the City, which completed the required rezoning of Lot C to allow for the eventual development of the 265 multi-family high density units on Lots C and D.

To date, final maps have been approved and recorded for Villages 1, 2, 4, 7, 8 and 10, and tentative maps have been approved for Villages 3, 5 and 6. Final map approval for Villages 3, 5 and 6 is expected prior to June 30, 2022. [KB Home Sacramento (Villages 5 and 6) and Beazer (Village 3) believe that all of the tentative map conditions, other than administrative and immaterial items, have been satisfied for their respective properties in Villages 3, 5 and 6 (which represent the remaining taxable parcels in the Improvement Area, other than Lots C and D).] The original small lot tentative map approval did not include specific design review permits for each of the planned subdivisions, and each of the Merchant Builders are responsible for obtaining design review permits for each of their respective subdivisions. A final small lot map is not required for the development of the 265 multi-family high density units on Lots C and D. However, a boundary line adjustment to remove the existing parcel line between Lots C and D will be required to be reviewed and approved by the City and recorded with the Office of the County Recorder of the County of Sacramento prior to building permit issuance for Lots C and D. The only remaining discretionary entitlements within the Improvement Area are design review approval for Villages 3, 5 and 6, which provides for City review of the home plans, architecture and conformance to certain development standards, and the recordation of small lot final maps for Villages 3, 5 and 6.

Based on the current tentative and final subdivision maps and zoning entitlements, the property within the Improvement Area is entitled to be developed into 441 single-family high density units (in Villages 1 through 6), 222 multi-family low density units (in Villages 7, 8 and 10) and 265 multi-family high density units (in Lots C and D). The single-family high density zoned properties can include 4 to 7 dwelling units per gross acre and can include either single-family dwellings or two-family dwellings. The multi-family low density zoned properties can include 7 to 12 dwelling units per gross acre, and the multi-family high density zoned property can include 20 to 30 dwelling units per gross acre. ECIC, CMB and the Merchant Builders all anticipate that the portions of the Improvement Area zoned for single-family high density properties and multi-family low density properties will be developed exclusively with single family detached units.

The following table describes the status of final maps for the Villages 1 through 8 and 10 and Lots C and D within the Improvement Area:

Table 13
City of Folsom
Communities Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Final Map Status

<u>Village</u>	<u>Owner</u>	<u>Zoning</u>	<u>Number of Units</u>	<u>Typical Lot Sizes</u>	<u>Status of Maps</u>	<u>Expected Date</u>
1	CMB/Tri Pointe ⁽¹⁾	SFHD	88	4,000	Recorded	
2	CMB/Tri Pointe ⁽¹⁾	SFHD	74	4,050	Recorded	
3	Beazer	SFHD	53	4,125	Tentative Small Lot	by June 30, 2022
4	KB HOME Sacramento	SFHD	73	4,000	Recorded	
5	KB HOME Sacramento	SFHD	83	4,000	Tentative Small Lot	by June 30, 2022
6	KB HOME Sacramento	SFHD	70	4,000	Tentative Small Lot	by June 30, 2022
7	Signature Homes	MLD	68	3,075	Recorded	
8	KB HOME Sacramento	MLD	36	4,000	Recorded	
10	Lennar	MLD	118	3,150	Recorded	
Lots C/D	ECIC ⁽²⁾	MHD	265	N/A	No Final Map Required	N/A
TOTAL			928			

⁽¹⁾ Tri Pointe has contracted to purchase the Village 1 and Village 2 properties through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

⁽²⁾ Spanos has contracted to purchase the Lot C and Lot D properties. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

Source: ECIC.

Development Conditions/Building Permit Limitations. Certain provisions of the PFFP for the Folsom Plan Area, as implemented through the tentative subdivision map conditions, place limits on the number of building permits that can be issued before certain facilities and/or backbone infrastructure is in place. These provisions/conditions could, but are not expected to, affect build-out of the Improvement Area.

For example, tentative map conditions require a fire station to be operational prior to the occupancy of the 1,500th home in the Folsom Plan Area. See “FOLSOM PLAN AREA—Public Facilities Financing Plan—Public Facilities—the Folsom Plan Area” for details on the City’s plans for construction of the fire station. The City is responsible for building and operating this fire station and would expect to waive or modify this condition as it deems necessary to balance development within the Folsom Plan Area and the increasing fire service needs of the Folsom Plan Area as development progresses.

Within the Improvement Area, there are building permit thresholds relating to traffic signal installations. There was a requirement that a traffic signal be installed at the intersection of Alder Creek Parkway and East Bidwell prior to the issuance of the 236th building permit. This traffic signal was installed and operational as of late March 2022. There is also a requirement that a separate traffic signal be installed at the intersection of Savannah Parkway and East Bidwell prior to the issuance of the 496th building permit. ECIC has commenced the design process for this additional traffic signal and anticipates that it will be completed and installed by the second quarter of 2023. ECIC, CMB and the Merchant Builders do not believe that this requirement will materially impede the issuance of building permits or the development of the Improvement Area.

During initial planning of water infrastructure needs, the City estimated that the Phase 1 Water Facilities (as defined herein) would have capacity to serve approximately 2,800 dwelling units in the Folsom Plan Area. The City currently estimates that the Phase 1 Water Facilities have the capacity to

deliver a sustained maximum day demand of up to 2 million gallons of water and, based on actual water usage within the Folsom Plan Area and a study prepared by Peterson Brustad, Inc. in April 2019, that water usage within the Folsom Plan Area will exceed the Phase 1 Water Facility capacity when approximately 2,800 to 3,300 dwelling units within the Folsom Plan Area have been occupied. The Phase 2 water backbone facilities, which include a water pipeline, booster pump and storage tank (collectively, the “Phase 2 Water Facilities”), are required to be constructed to provide expanded water transmission conveyance capabilities to deliver water from the water treatment plant to the Folsom Plan Area. The City continues to evaluate water usage and needs within the Folsom Plan Area. The City reserves the right to restrict new building permits within the Folsom Plan Area if the City determines that the new construction would cause residential water usage to exceed the capacity of the Phase 1 Water Facilities. See “—Development Entitlements—*Water Supply Infrastructure*” below for details on the status of the Phase 2 Water Facilities and the current plan for their construction and financing.

As of March 1, 2022, final maps had been approved and recorded for 2,731 dwelling units. [There are currently 4 additional final maps submitted to the City for review with approximately 274 dwelling units. It is anticipated that all of these final maps will be recorded by April 2022]. Also as of March 1, 2022, 1,964 building permits and 1,222 certificates of occupancy had been issued in the Folsom Plan Area for other projects underway, including the City of Folsom Community Facilities District No. 19 (Mangini Ranch) (“CFD 19”), the City of Folsom Community Facilities District No. 20 (Russell Ranch) (“CFD 20”) and the City of Folsom Community Facilities District No. 21 (White Rock Springs Ranch) (“CFD 21”). Collectively, CFD 19, CFD 20, CFD 21 and the Improvement Area are expected to include 3,350 dwelling units, [] of which had been issued building permits and [] of which had received final map approval as of March 1, 2022. [As of that same date, no building permits had been issued and no final maps had been approved for the expected dwelling units in the City of Folsom Community Facilities District No. 22 (Folsom Heights) (“CFD 22”).]

ECIC, CMB, the Merchant Builders and the District do not believe that these conditions will materially impede development of the Improvement Area. However, multiple other development projects are underway in the Folsom Plan Area, and if there were an unforeseen and significant delay in construction in the Improvement Area it is possible that other development within the Folsom Plan Area will overtake development of the Improvement Area, resulting in the need for construction of the fire station and Phase 2 Water Facilities before all building permits could be issued for the Improvement Area.

External access to the project site will be provided via East Bidwell Road to the west, Alder Creek Parkway to the north and Placerville Road to the east. Internal vehicular circulation is accessed from Westwood Drive and Old Ranch Way. Pedestrian circulation is provided by a combination of street separated sidewalks, open space trails, park trails and pathway connections. Proposed on-site improvements include: underground utilities, drainage improvements, retaining walls, driveways, on-street parking, curbs/gutters, sidewalks, pathways, trails, fencing, site lighting, site landscaping, and park enhancements.

The Folsom Ranch Central District Design Guidelines (of which the Improvement Area is a part) were approved by the City concurrent with the Tentative Map approvals on June 23, 2015. The design guidelines provide for the orderly development of the proposed single family residential subdivision. The primary purpose of these design guidelines is to articulate the general architectural and design expectations for the proposed residential neighborhood, the landscapes, hardscapes, open spaces, fencing, entry features and site lighting. The goal of the design guidelines is to establish a regulatory framework for the design of individual homes on the residential lots. The final design details of the homes are subject to review and approval by the City’s Planning Commission as part of a future Design Review application.

Army Corps of Engineers Wetland Permitting, Biological Opinion, Streambed Alteration Agreements and Section 106 Compliance. On May 22, 2014, the U.S. Army Corps of Engineers (the “USACOE”) issued a Record of Decision (“ROD”) for the Folsom South of U.S. Highway 50 Specific Plan Project - City of Folsom Backbone Infrastructure. This wetland permit covered the wetland permitting requirements for the entire backbone infrastructure necessary to serve the Folsom Plan Area. To the extent backbone infrastructure was required within a property owner’s land, the backbone wetland permit authorized the filling of waters of the U.S. necessary for such construction. Each landowner thereafter is required to obtain their own wetland permit for the fill of jurisdictional wetlands not included in the footprint of the backbone wetland permit. As discussed in greater detail below, the Folsom Plan Area has received all required environmental permits.

Development Agreement. Through City Ordinance No. 1149, the City approved a Tier 1 Development Agreement between the City and the property owners within the Folsom Plan Area on July 12, 2011. The effective date of the ordinance was August 11, 2011. The Tier 1 Development Agreement vests certain rights of the property owners and of the City, commits each party to the agreements to subsequent actions before development may proceed within the Folsom Plan Area. Separate First Amended and Restated Tier 1 Development Agreements (the “ARDAs”) were entered into among certain property owners and the City for their applicable properties, as approved by the City through City Ordinance No. 1211. The ARDAs for the property owners comprising the property within the Improvement Area were recorded in the official records of the County of Sacramento in July 2014. The City entered into Amendment No. 1 to the ARDA with Carpenter East, which was recorded in the official records of the County of Sacramento in January 2016. The City also entered into Amendment Nos. 1 and 2 to the ARDA with Folsom Real Estate South, which were each recorded in the official records of the County of Sacramento in January 2016. See “—Property Ownership.”

Article 2.5 (commencing with Section 65864), of Chapter 4, Division 1, Title 7 of the State Government Code, pertaining to development agreements, has the general effect of authorizing development to continue in accordance with then existing General Plan, Specific Plan, zoning and subdivision regulations notwithstanding any subsequently enacted conflicting regulations, except for regulations the failure of which to enact would place the residents in a condition which is dangerous to their health or safety or both.

Environmental Permits and Approvals. The California Environmental Quality Act (“CEQA”), constituting Division 13 of the State Public Resources Code (commencing with Section 21000) requires that an Environmental Impact Report (an “EIR”), detailing the significant environmental effects of the project and proposed mitigation measures, be prepared, considered and certified as complete by a public agency prior to its taking discretionary action on any project which may have a significant effect on the environment.

In June 2011, after statutorily required public notice, hearing and comment, the City Council certified as adequate and complete a final EIR/EIS for the Specific Plan for the development of the Folsom Plan Area. The EIR/EIS satisfied both CEQA and the National Environmental Policy Act for the entirety of the Folsom Plan Area. In February 2015, the City Council adopted the South of Highway 50 Backbone Infrastructure Project Initial Study/Mitigated Negative Declaration (Backbone Infrastructure MND), dated December 9, 2014. This CEQA project level document satisfied the required environmental review for the construction of backbone infrastructure for the entire Folsom Plan Area, including the Improvement Area.

The Folsom Plan Area has received all required environmental permits, including a Section 404 Permit for the entire Folsom Plan Area pursuant to Section 404 of the federal Clean Water Act. This permit allows for any necessary fill of jurisdictional wetlands and streambed alterations for the

construction of backbone infrastructure to serve the entire Folsom Plan Area at build-out. In addition, a Biological Opinion has been obtained from the US Fish and Wildlife Service for the entire Folsom Plan Area, together with a California Department of Fish and Wildlife Master Streambed Alteration Permit with conditions for the whole of the Folsom Plan Area. All of the property in the Improvement Area subject to the Special Tax has received its Section 404 Permit and a subnotification approval from the California Department of Fish and Wildlife.

Water Supply. The City entered into an agreement (the “Water Supply Agreement”) with the property owners in the Folsom Plan Area providing for a water supply for new development south of US Route 50. The Water Supply Agreement was supported by an addendum to the EIR. The Water Supply Agreement provides adequate water supply for full build out of the Improvement Area and the rest of the Folsom Plan Area (except the portion of the Folsom Plan Area serviced by the El Dorado Irrigation District). The amount of water provided in the Water Supply Agreement to meet the build-out demands of the Folsom Plan Area project is projected to be 5,600 acre-feet annually.

Water Supply in Folsom Generally. The primary water supply source for the City of Folsom is Folsom Reservoir, which provides the water supply for all of the City south of the American River. The City has water rights and contracts for up to 34,000 acre-feet annually (“afa”) through three different contracts with the United States Bureau of Reclamation (“Reclamation”). The surface water supplies were developed through different circumstances and, as such, are subject to unique conditions and limitations. These attributes and issues affect the volume of water available under certain conditions. Surface water supply for the portions of the City north of the American River is obtained through a contract with the San Juan Water District, and therefore is not a directly owned City supply. The surface water supplies for the City’s water service area are listed below.

- A pre-1914 appropriative water right for 22,000 acre-feet per year (Agreement with Reclamation)
- A pre-1914 appropriative water right for 5,000 acre-feet per year (Co-Tenancy agreement with Golden State Water Company)
- A Central Valley Project (“CVP”) water service contract for 7,000 acre-feet per year (Partial Assignment from Sacramento County Water Agency to the City of Folsom and used in the City’s East Area)

The City’s 22,000 acre-foot entitlement is based on a pre-1914 appropriative right from the South Fork of the American River established by the Natoma Water Company (“Natoma”) in 1851. Natoma’s original pre-1914 water right established a maximum diversion rate “to fill a Canal Eight feet wide and Four feet deep with a current running Ten miles per hour.” This correlates to a diversion rate of 60 cubic feet per second and a maximum allocation of 32,000 afa. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. The City’s 5,000 acre-foot entitlement is also based on Natoma’s pre-1914 appropriative right from the South Fork of the American River. In November 1994, the City executed a contract with Southern California Water Company-Folsom Division (“SCWC”) under which the City acquired the right to lease 5,000 afa (of SCWC’s remaining 10,000 afa under the original Natoma purchase) for an indefinite period. This right is held with Golden State Water Company pursuant to a co-tenancy agreement. This water right was also formally recognized in the settlement agreement between Reclamation and the City. As authorized by Public Law No. 101-514, the City was a subcontractor under Sacramento County Water Agency’s (SCWA) CVP water-service contract for 7,000 afa. In 2016, the United States, the City and SCWA completed an assignment of this portion of SCWA’s CVP water-service contract from SCWA to the City.

Under the agreements with Reclamation for 22,000 afa and 5,000 afa, Reclamation delivers this entire water supply without reduction on a permanent basis. Under the agreement with Reclamation for 7,000 afa of CVP water, this water supply faces possible reductions pursuant to Reclamation's Municipal and Industrial Water Shortage Policy. In 1994, the City entered into an agreement with Golden State Water Company (f/k/a Southern California Water Company, herein "GSWC") to acquire the right to divert up to 5,000 acre feet of pre-1914 water rights annually (the "GSWC Agreement"), subject to the terms and conditions of that agreement. Under the GSWC Agreement, the City is required to pay for the entire 5,000 acre-feet annual water supply regardless of whether the City is able to divert and use that quantity of water. The City has been using the supplies provided in the GSWC Agreement to serve the existing portion of the City known as the "East Area." The cost of water under the GSWC Agreement has, in the past, been paid for by East Area landowners and water customers.

Source of Water for the Folsom Plan Area. The City has determined that its Water Systems Optimization Review Program and implementation of metered rates will provide additional water supplies in an estimated amount of 6,450 acre-feet per year, which is in addition to the present and forecasted demands of the City's existing water users. The City intends to use a portion of this 6,450 acre-feet per year of available water to meet present and future water demand in the East Area in order to make the 5,000 acre-feet per year of GSWC Agreement water supply available for use in the Folsom Plan Area, on the terms and conditions of that Agreement. To meet this intent, the City has converted the East Area water supply from the GSWC Agreement to the less expensive CVP water service contract. The City would meet the additional build-out water demand of the Folsom Plan Area with approximately 600 acre-feet per year of water produced by the Water Systems Optimization Review Program that is in excess of the water demand in the East Area. The water made available under the GSWC Agreement and Water Systems Optimization Review Program will be sufficient to supply the projected water demand in the Folsom Plan Area. Pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure and Government Code Sections 53511 and 53589.5, the City filed a complaint in the Superior Court of the State for the County of Sacramento to validate the agreement. The Superior Court determined that the agreement: (a) is lawful, valid, enforceable and in the best interests of the City and all persons in any way interested therein and (b) is consistent with all applicable laws and obligations, including the Measure W water supply requirement.

The City's Community Facilities District No. 2013-1 (Water Facilities and Supply) (the "Water CFD"), was formed by the City in 2014. The cost of the GSWC Agreement water will initially be paid for by the Folsom Plan Area through special taxes collected for the Water CFD on certain property in the Folsom Plan Area, including the Improvement Area. When a building permit has been issued and a customer billing account has been established, the developed parcel is no longer subject to the levy of the special tax for the Water CFD and thereafter pays for water through water rates.

Water Conservation. The City adopted Ordinance 1118, Chapter 13.26 of the Folsom Municipal Code ("FMC"), Water Conservation. Chapter 13.26 establishes a five stage water conservation program with conservation goals and water use restrictions. The City Manager is authorized to implement and enforce whatever conservation measures are deemed necessary to achieve the water reduction requirements of the declared conservation stage.

Water Supply Infrastructure. Existing water infrastructure and pipelines run to the north side of US Route 50. For the first phase of infrastructure, the developers of the Folsom Plan Area constructed improvements to connect this water supply and extend water infrastructure pipelines to serve the initial phases of development in the Folsom Plan Area (the "Phase 1 Water Facilities"). In the next phase, the Folsom Plan Area developers will be required to construct improvements at the existing City water treatment plant to include a water booster pump station and construct a new water pipeline transmission main from the water treatment plant site into the Folsom Plan Area along with two storage tanks and a

pump station improvement to serve the area-wide development with potable water. In order for each individual parcel to access that water supply, the developers of those parcels will need to extend infrastructure to their sites.

The Phase 1 Water Facilities were completed in August 2018. The City estimates that the Phase 1 Water Facilities have the capacity to deliver a sustained maximum day demand of up to 2 million gallons of water. The Phase 2 Water Facilities (which include the new water pipeline transmission main, a booster pump station and a storage tank) are required to be constructed to provide expanded water transmission conveyance capabilities to deliver water from the water treatment plant to the Folsom Plan Area.

During initial planning of water infrastructure needs, the City estimated that the Phase 1 Water Facilities would have capacity to serve approximately 2,800 dwelling units in the Folsom Plan Area. Based on actual water usage within the Folsom Plan Area and a study prepared by Peterson Brustad, Inc. in April 2019, the City currently estimates that water usage within the Folsom Plan Area will exceed the Phase 1 Water Facility capacity when approximately 2,800 to 3,300 dwelling units within the Folsom Plan Area have been occupied. The City continues to evaluate water usage and needs within the Folsom Plan Area. The City reserves the right to restrict new building permits within the Folsom Plan Area if the City determines that the new construction would cause residential water usage to exceed the capacity of the Phase 1 Water Facilities.

As of March 1, 2022, for the Folsom Plan Area, final maps had been approved and recorded for approximately 2,731 dwelling units, 1,964 building permits had been issued, and 1,222 certificates of occupancy had been issued. [There are currently 4 additional final maps submitted to the City for review with approximately 274 dwelling units. It is anticipated that all of these final maps will be recorded by April 2022]. During summer 2021 as a result of high levels of construction activity, the maximum day water demand exceeded 2 million gallons for several days with no service interruption to the water system. Developers within the Folsom Plan Area have made various arrangements for alternative water sources during the next two years to alleviate usage of the Phase 1 Water Facilities and in response to drought concerns. See “PROPOSED PROPERTY DEVELOPMENT – Development Entitlements – Drought Conditions and Construction Water Usage” for more information. Based on current development plans and discussions with the developers within the Folsom Plan Area, and subject to variations due to water usage for construction within the Folsom Plan Area, the City estimates that the Phase 1 Water Facilities will reach their maximum day capacity in the summer of 2024. An increase in residential water demand, an event impacting the capacity of the Phase 1 Water Facilities, or other factors that increase water demand or decrease capacity could cause the City to reevaluate this estimated date and could adversely impact the ability of the City to issue building permits if the City expects demand to exceed capacity before the Phase 2 Water Facilities are complete.

In February 2018, the first round of developers within the Folsom Plan Area began conducting alignment studies for the Phase 2 Water Facilities and, as of December 13, 2018, developers within the Folsom Plan Area engaged Hydrosience Engineers for the design of the Phase 2 Water Facilities. The City has commenced review of the construction documents for the Phase 2 Water Facilities and anticipates completing its review in summer 2022. ECIC anticipates the bidding for the construction work of the Phase 2 Water Facilities to begin in summer 2022, with the construction expected to start by fall 2022. Once commenced, ECIC anticipates that construction of the Phase 2 Water Facilities will last about 18 months and be completed by summer 2024, in time to meet the demands for projected growth within the Folsom Plan Area. ECIC expects that if the Phase 2 Water Facilities are completed by summer 2024 that the projected timing of development described in this Official Statement will not be affected. However, delays in the construction of the Phase 2 Water Facilities, increased residential or construction water usage amounts or a reduction in the capacity of the current water facilities could cause the City to

restrict the continued development of the Folsom Plan Area, including within the Improvement Area. See “CERTAIN RISKS TO BONDHOLDERS – Failure to Develop.”

Based on a preliminary analysis prepared by ECIC and its consultants, the Phase 2 Water Facilities are projected to cost approximately \$29 million but may cost more depending on the cost of supplies, the cost of labor and other factors at the time construction commences. ECIC anticipates the Phase 2 Water Facilities to be funded through bonds issued for CFD 18 and certain pay-go proceeds from CFD 17 and CFD 18 special taxes. Based on current cost projections, ECIC expects the sources of revenues from CFD 17 and CFD 18 to be sufficient to fund the Phase 2 Water Facilities costs.

In addition to the Phase 2 Water Facilities, the City anticipates that an additional water tank and pump station improvement will be needed to accommodate the increased development once there are approximately 1,600 occupied dwelling units in zones 4, 5 and 6 of the Folsom Plan Area (the “Zone 4 Water Facilities”). These zones are east of Placerville Road (and east of the District) and generally constitute the areas covered by CFD 20, CFD 21 and CFD 22. The Zone 4 Water Facilities and the Phase 2 Water Facilities are separate water improvements, and, if needed, the Phase 2 Water Facilities can be constructed and completed separately from the Zone 4 Water Facilities, thereby allowing development to continue in the Folsom Plan Area generally, including within the Improvement Area. The Zone 4 Water Facilities are projected to cost approximately \$10 million but may cost more depending on the cost of supplies, the cost of labor and other factors at the time construction commences. To the extent CFD 18 bond proceeds are available, the developers within the Folsom Plan Area anticipate using proceeds from CFD 18 bonds to finance the Zone 4 Water Facilities. Neither the City nor the Merchant Builders expect that the need for a Zone 4 Water Facilities will adversely impact the timeline or cost estimates for development of the Improvement Area otherwise described in this Official Statement.

Wastewater Treatment. The Sacramento Regional County Sanitation District has an existing wastewater treatment plant with its ongoing and permitted improvement projects projected to accommodate all wastewater from development in the Folsom Plan Area. Existing sewer transmission mains are capable of conveying wastewater from the Folsom Plan Area and initial development sites (including the Improvement Area) to the existing treatment plant.

Flood Zones. According to the Federal Emergency Management Agency flood map, the Improvement Area is in Zone X, which consists of areas determined to be outside of the 500-year flood plain.

Fire Zones. The Improvement Area is located within an area identified as a moderate fire hazard severity zone. More information regarding Fire Hazard Severity Zones can be found at the California Department of Forestry and Fire Protection website at <https://frap.fire.ca.gov>, though such website is not incorporated herein by reference. The development within the Improvement Area is subject to mitigation measures set forth in a fuel modification plan approved by the City Fire Department. The mitigation measures include, among others, limitations on the type of vegetation that may be planted within fuel modification zones established in open space areas along certain portions of the perimeter of the Improvement Area, minimum setback of structures and irrigation requirements of the fuel modification zones. Maintenance of such zones is expected to initially be the responsibility of the property owners but upon build-out of the Improvement Area and dedication of the open space to the City will be maintained by the City from funds provided through CFD 18. Homeowner’s insurance is expected to be available to property owners within the Improvement Area, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the Improvement Area will purchase or maintain such insurance.

Drought Conditions and Construction Water Usage. In response to drought conditions in 2021, the City imposed a mandatory 20% reduction in water use on its water customers. In addition, use of City water for construction purposes required City approval. At the time, the City allowed construction within the Folsom Plan Area to proceed, including the use of City water. However, prolonged drought conditions in 2022 could result in mandatory reductions in water usage that may adversely impact the ability of the developers within the Improvement Area to develop the Improvement Area in the timeline described in this Official Statement.

To help alleviate the demand on the current water facilities, certain developers within the Folsom Plan Area have made arrangements to obtain construction water from the El Dorado Irrigation District (“EID”), an alternative water provider that has existing facilities adjacent to the Folsom Plan Area. For instance, Lennar has previously received construction water from EID for its Russell Ranch project in CFD 20. Such arrangements augment, but do not replace, the need for and the use of City water, which is currently provided through the Phase 1 Water Facilities. Due to such alternative arrangements for construction water and the amount of development that has already occurred in the Folsom Plan Area, the City anticipates that the demand for construction water will likely be lower in summer 2022 than it has been in some of the recent past years.

Affordable Housing. The City and ECIC entered into an Inclusionary Housing Agreement for the single-family high density and multi-family low density properties in the Improvement Area, which is recorded in the official records of the County of Sacramento and provides for ECIC’s compliance with the City’s inclusionary housing requirement by payment of an in-lieu fee to the City. Any inclusionary housing plan for Lots C and D would be a separate entitlement and would be conditioned for that project specifically, if required. ECIC is not aware of any proposed inclusionary housing for Lots C and D.

Utilities. All typical urban utility services for finished lots will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, refuse, and sanitary sewer and storm water facilities. The City provides water, sewer, refuse and storm water facilities, and police and fire services. Pacific Gas & Electric provides natural gas and the Sacramento Municipal Utility District (SMUD) provides electric service. Comcast provides cable service.

Property Ownership

The information in this section has been provided by ECIC, CMB and the Merchant Builders. The District and the Underwriter believe this information to be reliable, but can give no assurances that it is accurate or complete. There may be material adverse changes in this information after the date of this Official Statement.

Information in this section is included because it may be considered relevant to some investors to an informed evaluation and analysis of the taxable property within the Improvement Area and any existing or future improvements thereon as security for the Bonds. The information contained in this section does not guarantee that property ownership will not change or that the current or any subsequent property owners will pay the Special Tax when due. In fact, as described herein, ownership of much of the taxable property in the Improvement Area will change prior to development thereof. The Special Tax will constitute a lien on parcels subject to taxation within the Improvement Area and not a personal indebtedness of the owners of property within the Improvement Area. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the District nor any Bond Owner will have the ability at any time to seek payment directly from the owners of property within the Improvement Area of

the Special Tax or the principal or interest on the Local Obligations, or the ability to control who becomes a subsequent owner of any property within the Improvement Area.

The proposed development plan within the District is known as “Improvement Area No. 1,” which is ultimately expected to be developed into 928 residential units. ECIC and CMB, the master developers responsible for the initial improvement of the lots, are in the process of selling their remaining portions of the taxable property in the Improvement Area to merchant builders. The Merchant Builders currently own a majority of the taxable property in the Improvement Area. Since September 2019, ECIC has sold to KB HOME Sacramento the following taxable properties in the Improvement Area (i) the 73 single-family high density lots in Village 4, (ii) the 36 multi-family low density lots in Village 8, (iii) the 83 undeveloped, single-family high density lots in Village 5 and (iv) the 70 undeveloped, single-family high density lots in Village 6. In February 2020, ECIC sold 68 multi-family low density lots to Signature Homes, representing the properties in Village 7; in January 2021, ECIC sold 118 multi-family low density lots to Lennar, representing the properties in Village 10; and in November 2021, ECIC sold 53 undeveloped, single-family high density lots to Beazer, representing the properties in Village 3. For Villages 5 and 6 (KB HOME Sacramento) and Village 3 (Beazer), ECIC has entered into construction and license agreements in connection with these sales, pursuant to which it has been contracted to complete the initial development to finished lot status. KB HOME Sacramento and Beazer will be responsible for the costs to develop Villages 5 and 6 and Village 3, respectively, to finished lot status, up to a maximum cost of \$14 million for Villages 5 and 6, collectively, and \$6 million for Village 3. Any costs beyond these amounts required to develop the parcels to finished lot status will be ECIC’s responsibility.

ECIC is under contract with Spanos to sell Lots C and D as a finished building pad with all utilities stubbed to the site for the eventual development of 265 multi-family high density housing units. Spanos will be responsible for the on-site utilities to serve Lots C and D. ECIC expects to close its sale of Lots C and D to Spanos in the second quarter of 2022. Also, CMB is under contract with Tri Pointe for the sale of 162 finished lots comprising Villages 1 and 2 (the “Tri Pointe Purchase and Sale Agreement”).

Tri Pointe Purchase and Sale Agreement. CMB and Tri Pointe entered into the Tri Pointe Purchase and Sale Agreement, dated November 4, 2020, in connection with the sale of the 88 lots in Village 1 and the 74 lots in Village 2. These lots will be sold to Tri Pointe in finished lot condition for a total amount of \$28.6 million, and the transfers from CMB to Tri Pointe are expected to occur through three takedowns of 54, 48 and 60 lots, respectively. The first takedown and transfer of the first 54 lots occurred in January 2022, and the remaining takedowns are expected to occur in April 2022 and July 2022. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. Under the Tri Pointe Purchase and Sale Agreement, CMB is responsible for the construction of all infrastructure necessary to develop the Village 1 and 2 properties into finished lots, and the final takedown of 60 lots is conditioned on CMB’s completion of certain landscaping improvements for Villages 1 and 2. CMB has commenced work on the required landscaping improvements and expects to have them completed in the second quarter of 2022.

ECIC. The initial main developer of the property in the Improvement Area was ECIC, a California limited liability company formed in August 2019. ECIC is comprised of three partnership interests: Class A, Class B and Class C. The Class A participants are comprised of seven different individuals with varying participating membership interests. The Class B member, also the managing member, is HBT ECIC, LLC (“HBT ECIC”). The Class C member is Cargini Investors, which was the land seller and held a promissory note. The members of HBT ECIC include GTFG Mangini, LLC (an affiliate of Goodfellow Bros. California, LLC), William Bunce, John Hagenbuch and John Telischak whom are also principals in projects adjacent to the Improvement Area where they have significant land holdings and control more than 1,800 acres with the potential for more than 5,500 residential units and

non-residential land uses. As of March 2022, WestLand (as defined herein) and its affiliates have completed transactions on approximately 600 acres and 2,800 residential units with an additional 95 acres (approximately 900 units) and a 10.0-acre commercial parcel in escrow.

All decisions of ECIC are made by the appointed officers who are Messers. Bunce (President), Hagenbuch (Vice President) and Telischak (Vice President). Messers. Bunce, Hagenbuch and Telischak also serve as the president, Chairman and Managing Director of WestLand Capital Partners, L.P. (“WestLand”), respectively. The three managers are supported by other staff and consultants of WestLand including Project Managers Rob Aragon and Rick Jordan and CFO Kim Harms. In addition, ECIC retained Development Consulting Services, Inc., a professional construction management company, to oversee the project on a full-time basis. Mr. Bunce, as President, is responsible for all operating decisions but consults regularly with the other officers on most operating decisions and all strategic decisions.

As of March 1, 2022, ECIC had sold all of its taxable property within the Improvement Area, except for Lots C and D, which are under contract with Spanos.

CMB: CMB, a California limited liability company, is the other initial master developer of the taxable property in the Improvement Area. CMB currently owns a portion of Villages 1 and 2, which are under contract to Tri Pointe. CMB is comprised of two partnership interests; Class A and Class B. The Class A member, also the managing member, is HBT CMB, LLC (“HBT CMB”). The Class B member is South Savannah Investors, LLC. The members of HBT CMB include GFTG Mangini, LLC (an affiliate of Goodfellow Bros. California, LLC), William Bunce, John Hagenbuch and John Telischak, who also manage ECIC and are described in the description of ECIC above.

All decisions of CMB are made by the appointed officers who are Messers. Bunce (President), Hagenbuch (Vice President) and Telischak (Vice President). Messers. Bunce, Hagenbuch and Telischak also serve as the president, Chairman and Managing Director of WestLand, respectively. The three managers are supported by other staff and consultants of WestLand including Project Managers Rob Aragon and Rick Jordan and CFO Kim Harms. In addition, CMB retained Development Consulting Services, Inc., a professional construction management company owned by Duane Cobb, to oversee the project on a full-time basis. Mr. Bunce, as President, is responsible for all operating decisions but consults regularly with the other officers on most operating decisions and all strategic decisions.

KB HOME Sacramento: KB HOME Sacramento Inc., a California corporation (previously defined herein as “KB HOME Sacramento”) is a wholly-owned subsidiary of KB Home, a Delaware corporation (“KB Home”), whose principal executive offices are located in Los Angeles, California. KB Home is a publicly traded company listed on the New York Stock Exchange under the ticker symbol “KBH.”

Founded in 1957, KB Home constructs and sells homes through its operating divisions under the name KB Home. KB Home’s ongoing principal operations are in nine states, including California, Arizona, Nevada, Colorado, Texas, Florida, North Carolina, Idaho and Washington within 45 major markets. KB Home first developed homes in California in 1963. KB Home’s homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums.

KB Home is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). Such filings set forth, among other things, certain data relative to the

consolidated results of operations and financial position of KB Home and its subsidiaries. KB Home's SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov, and at KB Home's website at www.kbhome.com.

The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. KB HOME Sacramento and KB Home are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City, the District or the Underwriter.

Signature Homes: FR 68 Lots is a California limited liability company and the owner of the parcels in Village 7 of the Improvement Area. FR 68 Lots is managed by Signature Homes, Inc., a California corporation, and is owned by three separate members, each of which is affiliated with a member of the executive team of Signature Homes, Inc. Due to their affiliation, FR 68 Lots and Signature Homes, Inc. are referred to herein collectively as "Signature Homes." Signature Homes, Inc. is responsible for making the decisions relating to the development of Village 7. Signature Homes, Inc. is based in Pleasanton, California, has been constructing homes in northern California since 1983 and, as of March 1, 2022, has successfully delivered 15,500 homes. Key decisions for Signature Homes, Inc. are principally made by its executive team, which consists of Jim Ghielmetti, Chairman of the Board and Chief Executive Officer; Gary Galindo, President; Steve Miller, Executive Vice President of Land Acquisition & Forward Planning; Juliann Cretsinger, Vice President of Sales and Marketing; and Ron Buck, Vice President of Operations. Additional information on Signature Homes Inc., including certain biographical information for the executive team, can be found on the "our culture" tab of www.sighomes.com. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

Beazer: Beazer is a subsidiary of Beazer Homes USA, Inc. ("Beazer Homes"), a public company whose common stock is traded on the New York Stock Exchange under the symbol "BZH." Founded in 1985 and headquartered in Atlanta, Georgia, Beazer Homes constructs and sells homes through its operating divisions in 13 states. For the years ended September 30, 2021 and 2022, Beazer Homes closed 5,287 and 5,492 homes, respectively. Copies of Beazer Homes' Annual Report and each of its other quarterly and current reports, including any amendments, are available from Beazer's website at <http://ir.beazer.com/>. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

Lennar: On February 1, 2022, Lennar Homes of California, Inc., a California corporation, was converted to a California limited liability company and is now known as Lennar Homes of California, LLC, a California limited liability company (as previously defined herein, "Lennar"). All references herein to Lennar prior to February 1, 2022 shall mean Lennar Homes of California, Inc., a California corporation, and all references herein to Lennar on and after February 1, 2022 shall mean Lennar Homes of California, LLC, a California limited liability company.

Lennar is based in Irvine, California. Lennar has been in the business of developing residential real estate communities in California since 1996. Lennar is wholly-owned by U.S. Home Corporation, a Delaware corporation (“U.S. Home”). U.S. Home is wholly-owned by Lennar Corporation, which is based in Miami, Florida. Founded in 1954, Lennar Corporation completed its initial public offering in 1971 and listed its common stock on the New York Stock Exchange in 1972. Lennar Corporation’s Class A and Class B common stock are listed on the New York Stock Exchange under the symbols “LEN” and “LEN.B.” respectively. Lennar Corporation is one of the largest homebuilders in the United States based on home sales revenues and net earnings, and operates under a number of brand names, including Lennar and U.S. Home. Lennar primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar maintains an interest.

Lennar Corporation is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Lennar Corporation and its consolidated subsidiaries, including Lennar, as of such dates.

The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Lennar Corporation. The address of such website is www.sec.gov. All documents filed by Lennar Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of Lennar Corporation’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation’s website at www.lennar.com. On October 30, 2017 Lennar Corporation announced that it would acquire CalAtlantic Group Inc. (now known as CalAtlantic Group, LLC, “CalAtlantic”) for \$5.7 billion in a combination of cash and stock, creating the largest home builder in the United States by revenue. The transaction closed in February 2018. Both Lennar Corporation’s (stock symbol “LEN”) and CalAtlantic’s (stock symbol “CAA”) public filings with the SEC are accessible over the internet at the SEC’s website. The acquisition of CalAtlantic by Lennar Corporation will not affect Lennar’s developments in the Improvement Area as described herein.

The internet addresses referenced in the paragraphs above are included for reference purposes only and the information on these internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these internet sites.

Tri Pointe: “Tri Pointe” is Tri Pointe Homes Holdings, Inc., a Delaware corporation, which is an indirect, wholly-owned subsidiary of Tri Pointe Homes, Inc., a Delaware corporation (“Tri Pointe Homes”), a publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol “TPH”. Tri Pointe Homes is engaged in the design, construction and sale of innovative single-family attached and detached homes in 15 markets across ten states and the District of Columbia. Effective January 15, 2021, Tri Pointe Homes changed its corporate name from “TRI Pointe Group, Inc.” to “Tri Pointe Homes, Inc.” and consolidated its six regional homebuilding brands into one unified name—Tri Pointe Homes.

Tri Pointe Homes is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, particularly Tri Pointe Homes’ Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC on February 18, 2022, set forth, among

other things, certain data relative to the consolidated results of operations and financial position of Tri Pointe Homes and its consolidated subsidiaries, including Tri Pointe, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Tri Pointe Homes. The address of such Internet web site is *www.sec.gov*. All documents filed by Tri Pointe Homes pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of Tri Pointe Homes' most recent Annual Report on Form 10-K and each of its other quarterly and current reports, including any amendments, are available in the "investors" portion of its website at *www.tripointehomes.com*.

The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Tri Pointe Homes and Tri Pointe are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City, the District or the Underwriter.

Development Plan and Status of Development

Unless otherwise indicated, the information provided in this section has been provided by ECIC, CMB and the Merchant Builders and has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the Improvement Area. No assurance can be given, however, that the proposed development of the property within the Improvement Area will occur in a timely manner or in the configuration or to the density described herein, or that ECIC, CMB, the Merchant Builders, any owners or affiliates thereof, or any other current or subsequent property owners, will or will not retain ownership of its respective property within the Improvement Area. The City, the District and the Underwriter can provide no assurances as to the accuracy of the information in this section. There may be material adverse changes in this information after the date of this Official Statement.

Development Plan:

ECIC, CMB and the Merchant Builders have collectively secured entitlements for the eventual development of up to 928 residential units in the Improvement Area. At the time of full development, it is anticipated that the Improvement Area will include 441 single-family high density units, 222 multi-family low density units and 265 multi-family high density units. The Improvement Area is also planned to include an elementary school, a police substation, a fire station, parks and trails. The development plans take advantage of the site's topography with single-loaded streets through much of the site to maximize scenic vistas of the valley to the west, and open space areas on the property.

The Improvement Area is comprised of eight sequentially numbered "Villages" and three additional lots referred to as "Village 10," "Lot C" and "Lot D," respectively. Property within the Improvement Area is in varying stages of development, including partially-improved lots, improved lots, homes under construction and completed homes, and it is anticipated that development will be completed in three main phases: Phase 2A, Phase 2B and Phase 2C. Phase 2A of development within the

Improvement Area includes Villages 4, 7, 8 and 10 and Lots C and D and is entitled for a total of 560 units at the time of full build-out, comprised of 73 single-family high density units, 222 multi-family low density units and 265 multi-family high density units. Phase 2B of development includes Villages 1 and 2 and is entitled for a total of 162 single-family high density units at the time of full build-out. Phase 2C of development includes Villages 3, 5 and 6 and is entitled for a total of 206 single-family high density units at the time of full build-out. Below is a summary of product types by project phase.

Table 14
City of Folsom
Communities Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Summary of Product Types by Project Phase

Phase	Builder	Typical Lot Size/Density	Home Size (Estimated Average)	Total Units
Phase 2A				
Village 4	KB HOME Sacramento	4,000 square feet	2,256 square feet	73
Village 7	Signature Homes	3,075 square feet	2,178 square feet	68
Village 8	KB HOME Sacramento	4,000 square feet	2,000 square feet	36
Village 10	Lennar	3,150 square feet	1,857 square feet	118
Lots C and D	Spanos ⁽¹⁾	26 units/acre	1,000 square feet	265
Phase 2A Subtotal				560
Phase 2B				
Village 1	Tri Pointe ⁽²⁾	4,000 square feet	2,683 square feet	88
Village 2	Tri Pointe ⁽²⁾	4,050 square feet	2,044 square feet	74
Phase 2B Subtotal				162
Phase 2C				
Village 3	Beazer	4,125 square feet	2,044 square feet	53
Village 5	KB HOME Sacramento	4,000 square feet	2,256 square feet	83
Village 6	KB HOME Sacramento	4,000 square feet	2,256 square feet	70
Phase 2C Subtotal				206
Total				928

⁽¹⁾ Spanos has contracted to purchase the Lot C and Lot D properties. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

⁽²⁾ Tri Pointe has contracted to purchase the Village 1 and Village 2 properties from CMB through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

Source: ECIC, CMB and the Merchant Builders.

ECIC and CMB have made significant progress in the initial grading and improvement of the taxable properties in the Improvement Area. ECIC completed the mass grading and backbone infrastructure for Phase 2A (consisting of Villages 4, 7, 8 and 10 and Lots C and D) in 2020 along with the development of the initial subdivisions for the 295 single-family residential lots and the 10-acre multifamily site (Lots C and D) planned for 265 multi-family high density units. CMB commenced development of Phase 2B (Villages 1 and 2) in October 2020 with grading and backbone roadway improvements for Westwood Drive and Savannah Parkway. The Phase 2B subdivision improvements commenced in April 2021 and were significantly completed in December 2021, and the landscaping, fencing and punch-list related work is underway and scheduled for completion in April 2022. ECIC’s initial grading and improvement work for Phase 2C (Villages 3, 5 and 6) is scheduled to occur in two phases. The grading and backbone work for Village 3 began in February 2022 and is expected to be completed by the fourth quarter of 2022. The grading and backbone work for Villages 5 and 6 is expected to begin in April 2022 and is expected to be completed by the fourth quarter of 2022.

Public project amenities include a future 5.6-acre neighborhood park, a 26-acre community park, an elementary school, a fire station, a police substation and additional acreage for open space. The community will also feature a network of several miles of on- and off-street bicycle and pedestrian trails. While the open space, trails and common area landscaping will be developed by ECIC, the park, fire station, police substation and school sites will be transferred to the City and the Folsom-Cordova Unified School District, respectively, for future development. Additionally, undisturbed natural preserve areas have been set aside to protect sensitive biological habitat and provide passive open spaces throughout the community.

The map below reflects the lot mix and the zoning of development within the Improvement Area reflecting planned development of 928 total units.

**City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Master Plan**



Status of Development:

To date, final maps have been approved and recorded for Villages 1, 2, 4, 7, 8 and 10, and tentative maps have been approved for Villages 3, 5 and 6. Final maps for Villages 3, 5 and 6 are expected to be approved and recorded by June 30, 2022. ECIC is not aware of any requirements for a final map to be approved for the 265 multi-family high density units on Lots C and D and is not aware of any plans by Spanos to propose a final map for these properties. However, a boundary line adjustment to remove the existing parcel line between Lots C and D will be required to be reviewed and approved by the City of Folsom and recorded with the Office of the County Recorder of the County of Sacramento prior to building permit issuance for Lots C and D. The only remaining discretionary entitlements within the Improvement Area are design review approval and the recordation of small lot final maps for Villages 3, 5 and 6.

The following table summarizes, as of March 8, 2022, the current or anticipated merchant builders; the phase for development (2A, 2B or 2C); the zoning designation (single-family high density "SFHD," multi-family low density "MLD" or multi-family high density "MHD") for the lots; the number of homes under construction; the number of completed homes not yet sold; the number of homes under contract to be sold to individual home buyers; the number of homes closed; the number of building permits issued; the number of finished lots (without vertical home construction); the number of partially improved lots (including those that have only been initially graded for further development); the number of undeveloped lots; and the number of units expected at full build-out.

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**Table 15
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Development Status as of March 8, 2022**

Property	Merchant Builder	Development Phase	Zoning	Homes Under Construction	Homes Completed But Not Closed	Homes Under Contract	Homes Closed	Building Permits Issued	Finished Lots (Without Vertical Home Construction)	Partially Improved Lots	Undeveloped Lots	Total Proposed Units ⁽³⁾
Village 1	Tri Pointe ⁽¹⁾	2B	SFHD	12 ⁽⁴⁾	0	0	0	12	76	0	0	88
Village 2	Tri Pointe ⁽¹⁾	2B	SFHD	16 ⁽⁵⁾	0	0	0	16	58	0	0	74
Village 3	Beazer	2C	SFHD	0	0	0	0	0	0	53	0	53
Village 4	KB HOME Sacramento	2A	SFHD	50	2 ⁽⁶⁾	50	19	71	2	0	0	73
Village 5	KB HOME Sacramento	2C	SFHD	0	0	0	0	0	0	83	0	83
Village 6	KB HOME Sacramento	2C	SFHD	0	0	0	0	0	0	70	0	70
Village 7	Signature Homes	2A	MLD	31	3 ⁽⁶⁾	21	31	65	3	0	0	68
Village 8	KB HOME Sacramento	2A	SFHD	4	0	4	0	34	32	0	0	36
Village 10	Lennar	2A	SFHD	40	4 ⁽⁶⁾	63	26	70	48	0	0	118
Lots C and D	Spanos ⁽²⁾	2A	MHD	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>265</u>
TOTAL				153	9	138	76	268	219	471	0	928

⁽¹⁾ Tri Pointe has contracted to purchase the Village 1 and Village 2 properties through three separate takedowns, the first of which occurred in January 2022 for 54 lots. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected. See “PROPOSED PROPERTY DEVELOPMENT—Property Ownership—Tri Pointe Purchase and Sale Agreement.”

⁽²⁾ Spanos has contracted to purchase the Lot C and Lot D properties. See “PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—Tentative and Final Mapping.”

⁽³⁾ Amounts equal to the total from the following columns: (i) “Homes Under Construction,” (ii) “Homes Completed But Not Closed,” (iii) “Homes Closed,” (iv) “Finished Lots (Without Vertical Home Construction),” (v) “Partially Improved Lots” and (vi) “Undeveloped Lots.”

⁽⁴⁾ Includes 12 Lonestar production homes. The two Lonestar model homes are being constructed in Village 2, where the Eastwood homes are being constructed.

⁽⁵⁾ Includes four model homes (two for the Eastwood product and two for the Lonestar product) and 12 Eastwood production homes.

⁽⁶⁾ Represents model homes.

Source: ECIC and the Merchant Builders

KB HOME Sacramento: Construction of homes on the 262 residential lots within Villages 4, 5, 6 and 8 is anticipated to be completed by KB HOME Sacramento as homebuilder in two product lines known as “Soleil at Folsom Ranch,” anticipated to contain 109 single-family detached homes at completion within Village 4 (73 lots) and Village 8 (36 lots), and “Esquire at Folsom Ranch,” anticipated to contain 153 single-family detached homes at completion within Village 5 (83 lots) and Village 6 (70 lots).

Soleil. The anticipated product mix of the 109 homes proposed to be constructed within Village 4 (73 lots) and Village 8 (36 lots) consists of two one-story and two two-story floorplans ranging in square footage from approximately 1,429 square feet to approximately 2,689 square feet and with estimated base home prices as of March 8, 2022 ranging from approximately \$668,990 to approximately \$816,515. Base home prices are subject to change and are exclusive of lot premiums, options and extras and any incentives or price reductions that may be offered.

Home construction and sales are underway within Soleil. KB HOME Sacramento commenced vertical construction of the models and first phase of production homes in Soleil in December 2020 and opened the models in April 2021. As of March 8, 2022, within the Soleil neighborhood, KB HOME Sacramento had completed and conveyed 19 homes to individual homeowners, owned two completed models, had 56 homes under construction, and had 32 finished lots without any vertical home construction thereon (none with building permits issued). As of March 8, 2022, within the Soleil neighborhood, 56 homes were under contract for sale to individual homeowners but had not closed escrow. Homes under contract may not result in closed escrows as sales contracts are subject to cancellation by the homebuyers. KB HOME Sacramento conveyed its first homes within Soleil in November 2021 and expects to complete construction of all 109 homes within the Soleil neighborhood and convey such homes to individual homeowners by the end of the third quarter of 2023.

Esquire. The anticipated product mix of the 153 homes proposed to be constructed within constructed within Village 5 (83 lots) and Village 6 (70 lots) consists of four floorplans ranging in square footage from approximately 1,409 square feet to approximately 2,674 square feet. Initial base sales prices of the homes have yet to be finalized.

KB HOME Sacramento anticipates that the final small lot maps for Villages 5 and 6 will be recorded by June 30, 2022, and that ECIC will develop the parcels in Village 5 and 6 to finished lot status by December 2022. ECIC’s grading and backbone development of Villages 5 and 6 is expected to begin in April 2022, with completion anticipated for the fourth quarter of 2022. Vertical home construction within Esquire is expected to commence in December 2022, following ECIC’s development of the 153 lots to finished lot status. KB HOME Sacramento anticipates holding the grand opening and releasing the first homes to the general public in [____], 2023.

Signature Homes: Construction of homes on the 68 residential lots within Village 7 is anticipated to be completed by Signature Homes as homebuilder. Signature Homes anticipates that the 68 homes in Village 7 will range in size from 1,940 to 2,408 square feet and will be priced from \$679,900 to \$739,900. Signature Homes’ design review package for the 68 proposed homes was approved by the City on June 17, 2020. Signature Homes submitted its model home architectural plans to the City in July 2020 and expects to obtain building permits and begin construction for the model homes in October 2020 and begin delivering completed homes in May 2021.

As of March 8, 2022, for Village 7, Signature Homes had obtained 65 building permits, had completed construction on 3 model homes, had 31 production homes under construction, had 21 homes under contract with homebuyers, had closed 31 homes to homebuyers and had 3 finished lots that had not yet commenced vertical home construction.

Beazer: Construction of homes on the 53 residential lots within Village 3 is anticipated to be completed by Beazer as homebuilder. Beazer anticipates that the 53 homes in Village 3 will range in size from 1,662 to 2,369 square feet and will have base prices from \$655,990 to \$719,990. Beazer anticipates that the final small lot map for Village 3 will be recorded by June 30, 2022, and that ECIC will develop the parcels in Village 3 to finished lot status by October 2022. Beazer further expects to commence construction in Village 3 by October 2022, begin home sales in January 2023 and close on the first Village 3 homes by April 2023. As of March 8, 2022, ECIC had commenced the grading and backbone development of Village 3, with completion anticipated for the fourth quarter of 2022.

Lennar: Construction of homes on the 118 residential lots within Village 10 is anticipated to be completed by Lennar as homebuilder. Lennar anticipates that the 118 homes in Village 10 will range in size from 1,638 to 2,018 square feet and will be priced from \$638,990 to \$731,990. Lennar's design review package for the 118 proposed homes was approved by the City in August 2020. Lennar commenced its home construction in Village 10 in December 2020 and is currently constructing and selling homes to individual homebuyers.

As of March 8, 2022, for Village 10, Lennar had obtained 70 building permits, had 40 homes under construction, had completed construction on 4 model homes, had 63 homes under contract with homebuyers, had closed 26 homes to homebuyers and had 48 finished lots that had not yet commenced vertical home construction.

Tri Pointe: Construction of homes on the 162 residential lots within Villages 1 and 2 is anticipated to be completed by Tri Pointe as homebuilder in two product lines known as "Lonestar at Folsom Ranch," anticipated to contain 90 single-family detached homes at completion, and "Eastwood at Folsom Ranch," anticipated to contain 72 single-family detached homes at completion. Pursuant to the Tri Pointe Purchase and Sale Agreement, dated November 4, 2020, entered into between CMB and Tri Pointe, Tri Pointe expects to acquire the 162 lots within Villages 1 and 2 in three takedowns, following CMB's development of the lots to finished lot condition. The first takedown of the first 54 lots occurred in January 2022, and the remaining two takedowns of 48 and 60 lots are expected to occur in April 2022 and July 2022, respectively. No assurance can be given that the conveyance of the remaining two takedowns totaling 108 lots will occur as expected.

As of March 8, 2022, CMB had substantially completed the backbone infrastructure and subdivision improvements within Villages 1 and 2. The remaining landscaping, fencing and punch-list related work is underway and scheduled for completion in April 2022.

Lonestar. The anticipated product mix of the 90 homes proposed to be constructed within the Lonestar neighborhood consists of three two-story floorplans ranging in square footage from approximately 2,444 square feet to approximately 2,995 square feet. Initial base sales prices of the homes have yet to be finalized. Tri Pointe anticipates holding the grand opening and releasing the first homes to the general public in April 2022.

Home construction is underway. Tri Pointe commenced vertical construction of the models in November 2021 and first phase of production homes in February 2022, and expects to open the models in April 2022. As of March 8, 2022, within the Lonestar neighborhood, Tri Pointe owned 14 homes under construction (including two models) and 13 finished lots without any vertical home construction thereon (none with building permits issued), and the 63 remaining lots were owned by CMB. Assuming Tri Pointe acquires the remaining lots as planned, Tri Pointe expects to complete construction of all 90 homes within the Lonestar neighborhood and convey such homes to individual homeowners by the second quarter of 2024.

Eastwood. The anticipated product mix of the 72 homes proposed to be constructed within the Eastwood neighborhood consists of one one-story and two two-story floorplans ranging in square footage from approximately 1,500 square feet to approximately 2,404 square feet. Initial base sales prices of the homes have yet to be finalized. Tri Pointe anticipates holding the grand opening and releasing the first homes to the general public in April 2022.

Home construction is underway. Tri Pointe commenced vertical construction of the models in November 2021 and first phase of production homes in February 2022, and expects to open the models in April 2022. As of March 8, 2022, within the Eastwood neighborhood, Tri Pointe owned 14 homes under construction (including two models) and 13 finished lots without any vertical home construction thereon (none with building permits issued), and the 45 remaining lots were owned by CMB. Assuming Tri Pointe acquires the remaining lots as planned, Tri Pointe expects to complete construction of all 74 homes within the Eastwood neighborhood and convey such homes to individual homeowners by fourth quarter of 2023.

COVID-19 Impact

The planned development within the Improvement Area is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions, which could have a material adverse effect on ECIC's, CMB's and the Merchant Builders' ability to complete their proposed development within the Improvement Area and sell completed lot or homes in the time frames and budgets, and at the sales prices, described in this Official Statement. ECIC, CMB and the Merchant Builders have largely continued, with certain modifications, their development, home construction and sales activities in the Improvement Area to date, including taking steps at the model home sites, sales offices and jobsites, as applicable, to limit the spread of the COVID-19 outbreak and implementing certain changes to the home sales process in an effort to mitigate the spread of COVID-19. The Merchant Builders have provided, or expect to provide, the option of touring homes virtually online, by appointment, or currently, in person. However, in the event that ECIC, CMB and/or the Merchant Builders believe it is advisable to, or are required to, implement additional measures in response to a resurgence of COVID-19 or other public health risks, they may experience further negative impacts on their businesses and operations.

ECIC, CMB and the Merchant Builders have experienced increases in certain construction costs, supply chain delays, labor shortages, and increased cycle time for construction projects generally. However, the builders have not experienced any significant development delays resulting from work stoppages, reduced attendance of workers, or the ability to obtain necessary inspections and approvals for homes, which may be attributed, directly or indirectly, to the COVID-19 pandemic. While the cost increases and delays may have been and may continue to be intermittently affected by COVID-19, the majority of cost increases and delays can be attributable to production backlogs due to prior shutdowns or shelter in place orders, the strength of the housing market and the result of vendors not anticipating the scale of the demand for housing materials.

The COVID-19 outbreak is ongoing and, among other things, the ultimate geographic spread of the virus, the emergence and spread of new strains or variants of COVID-19, the duration and severity of the outbreak, the availability and acceptance of effective vaccines, adequate testing and treatments and the prevalence of widespread immunity to COVID-19, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to address its impact remain uncertain. The ultimate effects of COVID-19 on the Improvement Area, ECIC's, CMB's and the Merchant Builders' operations and financial condition, homebuyers' willingness and ability to pay the Special Tax when due, and the real estate market and United States economy in general are unknown. Such effects, if and as they arise, could have a material adverse effect on the ability to complete the development within the

Improvement Area and/or sell homes or lots as planned, and no assurance can be provided that the Merchant Builders will be able to (a) complete in whole or in any part, or within any particular time, their construction of homes within the Improvement Area; (b) avoid additional material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) sell homes, and close home sales or not experience purchase contract cancellations, due in each case to public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise. See “CERTAIN RISKS TO BONDHOLDERS—Potential Impact of Health Crises or Concerns” herein.

Development Plans of Finance

ECIC Plan of Finance. ECIC’s remaining infrastructure and development of the Improvement Area will be funded through a combination of the following sources:

- (1) ECIC equity
- (2) Proceeds from sale of bonds, including the possible sale of Additional Local Obligations for the Improvement Area
- (3) Proceeds from sales of lots to homebuilders
- (4) Proceeds from school site sale
- (5) Reimbursement of eligible SPIF facilities from the City of Folsom

In addition to residential lot sales, ECIC will receive proceeds from the sale of an approximately 10-acre elementary school site. The Folsom Cordova Unified School District (FCUSD) intends to purchase the 10-acre elementary school site at a time to be determined by the FCUSD. There are no agreements in place with respect to the FCUSD’s acquisition of the school site at this time.

Another source of funds will come from reimbursement of eligible SPIF improvements or fee credits. ECIC will provide fee credits to future builders within the Improvement Area. However, it is anticipated that ECIC will have outstanding reimbursements of approximately \$2.3 million after all available fee credits have been applied to builders within the Improvement Area. ECIC would receive reimbursement from the City on a priority based upon when the eligible improvements were constructed. Additionally, ECIC intends to sell fee credits to other builders within the Folsom Plan Area as provided in the Development Agreement.

As of March 1, 2022, ECIC had incurred total development costs of \$45.5 million for the Phase 2A work. As of that same date, ECIC’s remaining development costs for Phase 2C were estimated at \$34.8 million. The remaining Phase 2C development work is expected to occur in two phases, with the grading and backbone work for Village 3 beginning in February 2022 with an anticipated completion by the fourth quarter of 2022, and the grading and backbone work for Villages 5 and 6 is expected to begin in April 2022 with an anticipated completion by the fourth quarter of 2022. ECIC estimates its development improvement costs for Village 3 at 15.5 million and for Villages 5 and 6 at 19.3 million.

The following tables describe ECIC’s plan of finance, including its estimated sources and uses of funds for Phase 2C (Table 16), and the estimated grading, backbone and subdivision improvements for Phase 2C, including both hard costs and soft costs (Tables 17 and 18).

Table 16
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1 – Phase 2C (Villages 3, 5 and 6)
ECIC Plan of Finance – Sources and Uses of Funds
(amounts in thousands)

Cash Sources	2019	2020	2021	2022	2023	Total
Partnership Interest Contribution	\$3,571	-	-	-	-	\$3,571
Lot Sale Revenue	10,955	\$7,822	\$36,434	\$13,522	-	68,733
Construction Progress Payments ⁽¹⁾	1,851	9,708	2,994	17,096	-	31,649
CFD #23 Proceeds (Gross)	-	7,672	3,526	9,302	3,000	23,500
School Site Sale	-	-	-	6,000	-	6,000
Fee Credits	-	-	(354)	(258)	8,745	8,133
Construction Loan	9,867	25,559	5,454	-	-	40,880
Total cash sources	\$26,244	\$50,761	\$48,054	\$45,662	\$11,745	\$182,466
Cash Uses						
Land Acquisition	\$5,000	-	\$13,000	-	-	\$18,000
Interest On Seller Financing	94	\$332	1,086	-	-	1,512
Construction Costs	10,598	26,761	4,330	\$31,577	-	73,266
Interest on Construction Loan	142	580	12	-	-	734
Repayment of Construction Loan	1,709	23,477	15,694	-	-	40,880
Sales Commissions	82	80	362	297	-	821
Lot Closing Costs	39	16	75	116	-	246
Soft/Miscellaneous Costs	2,049	3,561	3,078	8,537	\$1,457	18,682
Total cash uses	\$19,713	\$54,807	\$37,637	\$40,527	\$1,457	\$154,141
Increase (Decrease) for period	6,531	(4,046)	10,417	5,135	10,288	28,325
Cash at beginning of year	-	6,531	2,485	12,902	18,037	-
Cash available for Partnership Interest Distributions	\$6,531	\$2,485	\$12,902	\$18,037	\$28,325	\$28,325

⁽¹⁾ Refers to the payments made by KB HOME Sacramento, Signature Homes and Beazer to ECIC under the respective purchase and sale agreements and post-closing license agreements in connection with the delivery of finished lots.

Source: ECIC.

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Table 17
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1 – Phase 2C (Village 3)
ECIC Plan of Finance – Grading and Backbone and Subdivision Improvement Costs

<u>Phase 2C (Village 3)</u>	
<u>Grading</u>	<u>Est. Cost</u>
Earthwork & SWPPP	\$ 1,751,230
Blasting	\$ 396,688
Comm. Park East Grading	\$ 800,000
Storm Drain	\$ 150,000
Erosion Control/SWPPP	\$ 250,000
General Conditions	\$ 235,000
Overhead & Markup	\$ 315,000
<u>Backbone Improvements</u>	
Savanna Parkway	\$ 3,500,000
Storm Drain	\$ 150,000
Soundwalls	\$ 50,000
Landscaping and Fencing	\$ 1,200,000
<u>Subdivision Improvements</u>	
Village 3	\$ 2,800,000
Blasting for Utilities	\$ 300,000
Retaining Walls	\$ 350,000
Landscape	\$ 500,000
General Conditions	\$ 650,000
Overhead and Markup	\$ 900,000
Total Development Costs	\$ 14,297,918
<u>Soft Costs</u>	
Environmental Mitigation	\$ 227,000
Backbone Soft Costs	\$ 1,419,688
Subdivision Soft Costs	\$ 1,042,500
Total Soft Costs	\$ 2,689,188
Total Costs	\$ 16,987,105

Source: ECIC.

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Table 18
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1 – Phase 2C (Villages 5 and 6)
ECIC Plan of Finance – Grading and Backbone and Subdivision Improvement Costs

<u>Phase 2C (Villages 5 and 6)</u>	
<u>Grading</u>	<u>Est. Cost</u>
Finish pads and undercut streets	\$ 1,500,000
<u>Backbone Improvements</u>	
Alder Creek Parkway frontage	\$ 321,150
Westwood Drive (sidewalk)	\$ 43,000
Landscape (Westwood)	\$ 250,000
Landscape (Alder Creek Parkway)	\$ 350,000
HMB 8 (pro-rata share)	\$ 1,900,000
<u>Subdivision Improvements</u>	
Villages 5 and 6	\$ 9,180,000
Retaining Walls	\$ 650,000
Soundwalls	\$ 850,000
Landscape	\$ 250,000
General Conditions	\$ 750,000
Overhead and Markup	\$ 950,000
Total Development Costs	\$ 16,994,150
<u>Soft Costs</u>	
Environmental Mitigation	\$ --
Backbone Soft Costs	\$ 654,623
Subdivision Soft Costs	\$ 1,602,000
Total Soft Costs	\$ 2,256,623
Total Costs	\$ 19,250,773

Source: ECIC.

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CMB Plan of Finance. CMB's remaining infrastructure and development of the Improvement Area will be funded through a combination of the following sources:

- (1) CMB equity
- (2) Proceeds from sale of bonds, including the possible sale of Additional Local Obligations for the Improvement Area
- (3) Proceeds from sales of lots to homebuilders

Another source of funds will come from a cost sharing agreement with ECIC for common infrastructure constructed by CMB. Under the terms of this agreement, ECIC is expected to reimburse CMB for approximately \$3.0 million of its share of the common infrastructure improvements. A portion of the \$3.0 million is also eligible for SPIF Fee reimbursement, and an allocable share is expected to be assigned to ECIC upon completion of the work. Under the cost sharing agreement with ECIC, CMB forecasts \$8.5 million of eligible SPIF fee reimbursements from its construction costs in Phase 2B. CMB estimates \$2.4 million of the \$8.5 million SPIF reimbursement will be assigned to ECIC in conjunction with its allocable share reimbursement of the common infrastructure. In summary, CMB's total SPIF reimbursement earned from the construction is projected at \$8.5 million, with \$5.6 million reserved for credits assigned to Tri Pointe in Villages 1 and 2. CMB expects to transfer \$2.4 million of credits under its cost sharing agreement with ECIC, resulting in a projected SPIF reimbursement balance of \$0.5 million due to CMB from third parties in future development phases.

Also, CMB has obtained financing from Goodfellow Bros. California, LLC ("Goodfellow"). CMB and Goodfellow entered into a \$7.3 million loan at the end of 2021. This loan was secured and subordinated to the existing Deposit Deeds of Trust benefitting Tri Pointe. The Goodfellow loan financed the remaining improvements for Villages 1 and 2 and the projected improvement costs forecasted as of December 31, 2021. Repayment of the loan is expected to occur through lot sale proceeds at the time of Tri Pointe's lot purchases. Tri Pointe's first takedown in January 2022 included a \$1.8 million repayment toward the \$7.3 million loan. As of March 1, 2022, the loan balance was \$3.7 million, which is expected to be paid with proceeds from the remaining Tri Pointe lot takedowns or with proceeds of the Bonds, whichever occurs first.

CMB's development of Phase 2B commenced in October 2020 with grading and backbone roadway improvements for Westwood Drive and Savannah Parkway. Subdivision improvements commenced in April 2021 and were significantly completed in December 2021. Landscaping, fencing and punch-list related work is currently underway and scheduled for completion in April 2022. CMB estimates total development costs for Phase 2B at approximately \$25.0 million, with \$3.0 million of cost allocated to ECIC (Phase 2A) for its share of the common infrastructure, resulting in a net overall cost of \$22.0 million for Phase 2B.

The following tables describe CMB's plan of finance, including its estimated sources and uses of funds for Phase 2B (Table 19), and the estimated grading, backbone and subdivision improvements for Phase 2B, including both hard costs and soft costs, and the costs incurred to March 1, 2022 (Table 20).

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Table 19
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1 – Phase 2B (Villages 1 and 2)
CMB Plan of Finance – Sources and Uses of Funds
(amounts in thousands)

<u>Cash Sources</u>	2020	2021	2022	2023	Total
Partnership Interest Contribution	\$248	-	-	-	\$248
Lot Sale Revenue	8,352	\$9,610	\$10,114	\$250	28,326
CFD #23 Proceeds (Gross)	-	-	6,200	1,000	7,200
Total cash sources	\$8,600	\$9,610	\$16,314	\$1,250	\$35,774
<u>Cash Uses</u>	2020	2021	2022	2023	Total
Land Acquisition	\$2,865	-	-	-	\$2,865
Construction Costs	1,879	\$14,867	\$2,678	\$518	19,942
Construction Cost Payable	(757)	(6,627)	7,384	-	-
Sales Commissions	-	-	226	-	226
Lot Closing Costs	-	-	138	-	138
Soft/Miscellaneous Costs	649	1,161	1,446	741	3,997
Total cash uses	\$4,636	\$9,401	\$11,872	\$1,259	\$27,168
Increase (Decrease) for period	3,964	209	4,442	(9)	8,606
Cash at beginning of year	-	3,964	4,173	8,615	-
Cash available for Partnership Interest Distributions	\$3,964	\$4,173	\$8,615	\$8,606	\$8,606

Source: CMB.

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Table 20
City of Folsom
Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1 – Phase 2B (Villages 1 and 2)
CMB Plan of Finance – Grading and Backbone and Subdivision Improvement Costs

Phase 2B (Villages 1 and 2)			
<u>Grading</u>		<u>Est. Cost</u>	<u>Costs Through</u>
			<u>March 1, 2022</u>
Earthwork & SWPPP	\$	1,948,000	\$ 1,948,000
Blasting	\$	880,375	\$ 880,375
Retaining Walls	\$	7,531	\$ 7,531
Storm Drain	\$	124,067	\$ 124,067
Erosion Control/SWPPP	\$	235,158	\$ 235,158
General Conditions	\$	438,115	\$ 438,115
Overhead & Markup	\$	405,165	\$ 405,165
<u>Backbone Improvements</u>			
Westwood Drive (North)	\$	893,965	\$ 780,939
Westwood Drive (South)	\$	699,277	\$ 645,612
Savannah Parkway	\$	2,151,681	\$ 2,123,433
Soundwalls	\$	302,000	\$ 302,000
Landscaping and Fencing	\$	1,500,000	\$ -
Traffic Signal (EBW & Savannah)	\$	500,000	\$ -
Aggregate Operations	\$	230,926	\$ 223,434
ECIC Cost Share ⁽¹⁾	\$	(3,000,000)	\$ (2,084,000)
<u>Subdivision Improvements</u>			
Village 1	\$	4,676,138	\$ 4,495,823
Village 2	\$	3,564,213	\$ 3,398,370
Blasting	\$	-	\$ -
Retaining Walls	\$	1,132,000	\$ 940,665
General Conditions	\$	1,115,000	\$ 858,572
Overhead and Markup	\$	1,439,565	\$ 1,158,150
Contingency	\$	700,000	\$ -
Subcontractor Retention	\$	-	\$ -
Total Development Costs	\$	19,943,176	\$ 16,881,409
<u>Soft Costs</u>			
Environmental Mitigation	\$	229,000	\$ 229,000
Backbone Soft Costs	\$	834,000	\$ 834,000
Subdivision Soft Costs	\$	991,000	\$ 991,000
Total Soft Costs	\$	2,054,000	\$ 2,054,000
Total Costs	\$	21,997,176	\$ 18,935,409

⁽¹⁾ CMB and ECIC entered into a cost sharing agreement for improvements that CMB constructed that benefitted ECIC's property. The ECIC costs are estimated to be \$3.0 million of the total shown above and, under the terms of that agreement, will be paid to CMB based on a "true-up" analysis at the completion of construction.

Source: CMB.

KB HOME Sacramento Plan of Finance. KB HOME Sacramento expects to use internal funding (which may include homes sales revenue and funding from its parent company) to complete its home construction of its property within the Improvement Area. KB HOME Sacramento estimates that its remaining construction costs to complete the development of the 262 proposed homes to be constructed by KB HOME Sacramento in the Improvement Area, including approximately \$17 million in remaining land acquisition costs to be paid to ECIC upon its completion (and KB HOME Sacramento's acceptance) of the work needed to create finished lots and complete all other requisite entitlement and offsite work, will be approximately \$[] million.

Although KB HOME Sacramento expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from KB HOME Sacramento or any other source when needed. While KB HOME Sacramento has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither KB HOME Sacramento, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by KB HOME Sacramento to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by KB HOME Sacramento within the Improvement Area and other financing by KB HOME Sacramento is not put into place, there could be a shortfall in the funds required to complete the planned development by KB HOME Sacramento of its property in the Improvement Area.

Signature Homes Plan of Finance. Signature Homes expects to use internally generated funds to complete its site development and home construction of its property within the Improvement Area. Signature Homes has also secured a loan from Housing Capital Company sufficient to fund the land acquisition and development costs of its property in the Improvement Area. It also obtained a revolving loan to finance additional home construction costs. Signature Homes estimates that its site development and construction costs to complete the development of the 68 proposed homes to be constructed by Signature Homes in the Improvement Area will be approximately \$40 million.

Although Signature Homes expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from Signature Homes or any other source when needed. While Signature Homes has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Signature Homes, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by Signature Homes to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Signature Homes within the Improvement Area and other financing by Signature Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Signature Homes of its property in the Improvement Area.

Beazer Plan of Finance. Beazer expects to use home sales revenue and internally generated

funds to complete its site development and home construction of its property within the Improvement Area. Beazer estimates that its site development and construction costs to complete the development of the 53 proposed homes to be constructed by Beazer in the Improvement Area, including the amounts to be paid to ECIC to develop the properties to finished lot status, will be approximately \$6.25 million.

Although Beazer expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from Beazer or any other source when needed. While Beazer has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Beazer, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by Beazer to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Beazer within the Improvement Area and other financing by Beazer is not put into place, there could be a shortfall in the funds required to complete the planned development by Beazer of its property in the Improvement Area.

Lennar Plan of Finance. Lennar expects to use home sales revenue and internally generated funds to complete its site development and home construction of its property within the Improvement Area.

Although Lennar expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from Lennar or any other source when needed. While Lennar has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Lennar, nor any of its related entities are under any legal obligation of any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by Lennar to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Lennar within the Improvement Area and other financing by Lennar is not put into place, there could be a shortfall in the funds required to complete the planned development by Lennar of its property in the Improvement Area.

Tri Pointe Plan of Finance. Tri Pointe expects to use internal funding (which may include homes sales revenue and funding from its parent company) to complete its land acquisition and home construction of its property within the Improvement Area. Tri Pointe estimates that its remaining land acquisition and construction costs to complete the development of the 162 proposed homes to be constructed by Tri Pointe in the Improvement Area will be approximately \$74 million.

Although Tri Pointe expects to have sufficient funds available to complete its planned development in the Improvement Area as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining land acquisition, development and home construction costs will be available from Tri Pointe or any other source when needed. While Tri Pointe has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Tri Pointe, nor any of its related entities are under any legal obligation of

any kind to expend funds or obtain loans for land acquisition or the development of and construction of homes on its property in the Improvement Area. Any contributions by Tri Pointe to fund the costs of such land acquisition or development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Tri Pointe within the Improvement Area and other financing by Tri Pointe is not put into place, there could be a shortfall in the funds required to complete the planned development by Tri Pointe of its property in the Improvement Area.

Backbone and Common Infrastructure. As described above, ECIC has completed the onsite grading and backbone and common infrastructure for development of Phase 2A and is in the early stages that development for Phase 2C. As of March 1, 2022, ECIC estimates that it had incurred total grading and backbone and common infrastructure development costs of approximately \$24.4 million for the Phase 2A work. As of that same date, ECIC's remaining grading and backbone and common infrastructure for development costs for Phase 2C were estimated at approximately \$13.2 million.

CMB is underway on completing the onsite backbone and common infrastructure for development of Phase 2B. As of March 1, 2022, CMB estimates that it had spent a total of approximately \$6.0 million on these improvements and anticipates spending approximately an additional \$5.8 million before the end of the year to finalize the development of the Phase 2B properties. See “—Development Plan and Status of Development.”

Subdivision Improvements. The subdivision improvements for Phase 2A have been completed by ECIC. Remaining infrastructure for development of the Improvement Area includes, among other things, intract infrastructure such as underground utilities, subdivision roadways, street lighting, soundwalls and landscaping improvements. Such subdivision improvements are being constructed by ECIC for Phase 2C and by CMB for Phase 2B.

As of March 1, 2022, the total remaining subdivision improvements in the Improvement Area are estimated at approximately \$19.9 million, including all design, construction staking, plan check, inspection, habitat mitigation and other project related soft costs.

Specific Plan Infrastructure Fee Credits and Improvements. The SPIF is administered by the City for the purposes of collecting impact fees for plan area wide improvements for the construction of roadways, water, sewer, drainage, dry utilities, recycled water and habitat mitigation in the Folsom Plan Area. The purpose of the SPIF is to require each landowner to pay its fair share of Folsom Plan Area area-wide improvements and to be reimbursed for any amount expended in excess of a landowner's fair share requirement. Under the terms of the SPIF Ordinance adopted by the City, property owners in the Folsom Plan Area will be eligible to enter into an agreement with the City and receive future reimbursements (that are convertible to fee credits for use within the owner's property) in exchange for the construction of eligible SPIF improvements. Based on the amount of improvements eligible for SPIF reimbursement, all of the properties within the Improvement Area are anticipated to fully cover their SPIF obligations through the conversion of these SPIF reimbursements to SPIF fee credits. After applying the SPIF reimbursements as SPIF fee credits to all properties in the Improvement Area, all amounts expended in excess of the project's SPIF obligation are expected to be reimbursed from the City as other SPIF fees are collected in the Folsom Plan Area.

Within the Folsom Plan Area, initial development will be required to pay a “SPIF Set-Aside” component to address initial water and sewer facility costs. This is a loan of SPIF collections to help the cash flow for the initial water and sewer costs. It will be repaid or equalized to all properties through the SPIF program as well as through CFD 18. The SPIF Set-Aside will apply to the first 2,500 Folsom Plan

Area dwelling units that would be subject to the SPIF. A portion of the SPIF will be required to be paid regardless of whether a developer/property owner has advance-funded eligible SPIF infrastructure and has executed a Fee Reimbursement Agreement through the City. An exception to this rule is that a property owner who constructs certain water or sewer infrastructure for which the SPIF Set-Aside is being collected may take a credit against the SPIF Set-Aside. This is applicable to ECIC in relationship to prior entities controlled by WestLand having advance-funded Phase 1 water and sewer costs for which the SPIF Set-Aside was created to partially fund.

ECIC has purchased SPIF Set-Aside credits from Mangini Improvement Company (“MIC”), which retains the rights to the SPIF Set-Aside reimbursements from facilities that were constructed in CFD 19. The transfer or sale of the SPIF Set-Aside credits is allowed under the terms of the Development Agreement(s) affecting the Improvement Area. MIC and ECIC have entered into a separate agreement to sell SPIF Set-Aside credits to ECIC, which in turn, will transfer the SPIF Set-Aside credit to its homebuilders.

In addition, in August 2020, the City approved an ordinance amending certain provisions of the SPIF ordinance to include a new SPIF – Offsite Water Set-Aside. This new SPIF – Offsite Water Set-Aside will be payable at the building permit stage and will not be eligible to be offset by fee credits.

CERTAIN RISKS TO BONDHOLDERS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Risks of Real Estate Secured Investments Generally

The owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure, including as a result of tax reform; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that ECIC, CMB, any of the Merchant Builders, any of the other property owners or any future homeowners within the Improvement Area will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See “— Bankruptcy” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels. Further, many homes within the Improvement Area will have a higher-than-average price point as compared to other homes in the region, which may impact the absorption of the residential units within the Improvement Area.

Levy of the Special Tax

The principal source of payment of debt service on the Local Obligations, from which funds for the payment of the Bonds are derived, is the proceeds of the annual levy and collection of the Special Tax against property in the Improvement Area. The annual levy of the Special Tax is subject to the Maximum Special Tax rates authorized within the Improvement Area. The levies cannot be made at higher rates even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available moneys, will not be sufficient to pay debt service on the Local Obligations. Other funds which might be available include funds derived from the payment of delinquent Special Tax and funds derived from the tax sale or foreclosure and sale of related Taxable Property on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Local Obligations, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Rate and Method of Apportionment. Application of the Rate and Method of Apportionment will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property in the Improvement Area. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of Taxable Property for such reasons as acquisition of Taxable Property by the federal government or an agency thereof, asserting immunity (however, see "Exempt Properties" below) from taxation, thereby resulting in an increased tax burden on the remaining Taxable Property.
- Failure of the related owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels, subject to the related Maximum Special Tax.

Collection of Special Tax

In order for the District to pay debt service on the Local Obligations, from which funds for the payment of the Bonds are derived, it is necessary that the Special Tax levied against land in the Improvement Area be paid in a timely manner. The District has established the Local Obligations Reserve Account under the Local Obligations Indenture in the amount of the Required Bond Reserve to pay debt service on the Local Obligations, in the event that a portion of the Special Taxes for the Local Obligations are not paid on time.

The Local Obligations Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

Pursuant to the Mello-Roos Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the District has covenanted that it will annually on or before September 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if it determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, it will within 60 days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in the Improvement Area, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the District determines on the basis of such review that property owned by any single property owner in the Improvement Area is delinquent by more than \$4,000 with respect to the Special Tax due and payable by such property owner by such delinquency date, then the District will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner; provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Mello-Roos Act; and provided further that the District is not obligated under the Local Obligations Indenture to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the District has received one hundred percent (100%) of the amount of such installment from the County pursuant to the Teeter Plan.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the Local Obligations Reserve Account with respect to the Local Obligations is depleted. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant for Foreclosure.”

The District may be unable to make full or timely payment of debt service on the Local Obligations if property owners in the Improvement Area fail to pay installments of the Special Tax when due, if the Local Obligations Reserve Account is depleted, or if the District is unable to sell related foreclosed parcels for amounts sufficient to cover the delinquent installments of the Special Tax.

Shapiro v. San Diego

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *Shapiro v. San Diego City Council*, 117 Cal. Rptr. 2d 631, 96 Cal. App. 4th 904 (2002). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego, much like a community facilities district established under the provisions of the Mello-Roos Act. The CCFD is comprised of all of the real property in all of the City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties.

At the election to authorize such special tax, the electorate was limited to owners of hotel properties and lessees of certain of such hotel properties. Thus, the election was a landowner election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because

Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

In the case of the CCFD, at the time of the election there were many, many registered voters within the CCFD (viz., all of the registered voters in the City of San Diego). There were no registered voters within the Improvement Area at the time of the election to authorize the Special Tax. In City of San Diego, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax election in the Improvement Area. Moreover, Section 53341 of the Mello-Roos Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." The Special Tax with respect to the Improvement Area was approved by the voters on May 26, 2020. Based on Section 53341 of the Mello-Roos Act and its analysis of existing laws, regulations, rulings and court decisions, the District does not believe that a challenge to the Special Tax may now be brought.

Concentration of Ownership

Currently, a significant portion of the Taxable Property in the Improvement Area is owned by the Merchant Builders, and consequently, a large portion of the Special Tax within the Improvement Area will be paid by the Merchant Builders until the land is developed and sold. Additional land within the Improvement Area is owned by ECIC and CMB, both of which are managed by the same three individuals. See "PROPOSED PROPERTY DEVELOPMENT—Property Ownership."

ECIC and CMB have entered into purchase and sale agreements to sell their remaining taxable portions of the Improvement Area to merchant builders. No assurance can be given that the property sales will close when anticipated. See "PROPOSED PROPERTY DEVELOPMENT—Property Ownership." Generally, the risk of delinquency or nonpayment of Special Taxes at levels which do not permit the timely payment of principal of and interest on the Bonds is inversely correlated to the diversity of ownership of Taxable Property within the Improvement Area. The fact that a substantial portion of the property providing the ultimate security for the payment of Local Obligations is controlled by a few owners means that timely payment of the respective Special Tax and, therefore, the Bonds, will depend initially upon the willingness and ability of these owners to pay the Special Tax when due. The only assets of ECIC, CMB or the Merchant Builders that constitute security for the Local Obligations are their real property holdings located within the Improvement Area.

There can be no assurance that the undeveloped property will be fully developed and that property ownership will be further diversified as a result. See "CERTAIN RISKS TO BONDHOLDERS—Failure to Develop."

Payment of the Special Tax is Not a Personal Obligation of a Property Owner

A PROPERTY OWNER IS NOT PERSONALLY OBLIGATED TO PAY THE SPECIAL TAX. RATHER, THE SPECIAL TAXES ARE OBLIGATIONS ONLY AGAINST THE PROPERTY. IF THE VALUE OF THE PARCELS OF PROPERTY IS NOT SUFFICIENT, TAKING INTO ACCOUNT OTHER OBLIGATIONS ALSO PAYABLE THEREBY, TO FULLY DISCHARGE THE SPECIAL TAX, THE DISTRICT WILL HAVE NO RECOURSE AGAINST THE PROPERTY OWNER.

Potential Early Redemption of Bonds from Prepaid Special Taxes

Property owners within the Improvement Area are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such payments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Trust Agreement following the receipt of the prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See “THE BONDS—Redemption Provisions—Extraordinary redemption from Prepayment of Special Taxes.”

Special Tax Delinquencies

The Special Taxes are billed to the properties within the Improvement Area on the *ad valorem* property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments. In each year the County includes the Improvement Area in the Teeter Plan, the County will be obligated to pay the District 100% of the amount of the Special Taxes actually levied in the Improvement Area, regardless of any delinquencies. However, the County is required to terminate the Teeter Plan if two-thirds of the participants so petition the Board of Supervisors and may discontinue the Teeter Plan as to the Improvement Area if the delinquency rate in the Improvement Area exceeds 3%. Moreover, the County determines annually whether to include a particular district in the Teeter Plan. See “—Teeter Plan Termination” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Teeter Plan.” Significant delinquencies in the payment of annual Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in a default in the payment of the debt service on the Bonds. See “—Bankruptcy” and “—FDIC/Federal Government Interests in Properties” below, for a discussion of the limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances and the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. The County determines annually which special taxes and assessment levies to include in the Teeter Plan. Pursuant to its Teeter Plan, once the County determines to include special taxes and assessment levies in the Teeter Plan, the County provides the local agency and taxing area with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County’s Teeter Plan may help protect Owners from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. In addition, the County may decide not to include certain special taxes and assessment levies, including the Improvement Area, in the Teeter Plan in any fiscal year. Any termination of the Teeter Plan with respect to the Improvement Area would eliminate such protection from delinquent Special Taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Teeter Plan.”

Land Values

If a property owner defaults in the payment of the Special Tax, from which funds for the payment of the Bonds are derived, the District’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The value of taxable property in

the Improvement Area is therefore an important consideration in evaluating the security for the Bonds. Land values could be adversely affected by economic factors beyond the District's control, such as relocation of employers out of the area, stricter land use regulations, the absence of water, or destruction of property caused by, among other eventualities, earthquake, flood or other natural disaster, or by environmental pollution or contamination.

Appraisal Risks

The Appraiser has estimated the market value of the property in the Improvement Area on the basis of certain assumptions which the Appraiser believes to be reasonable under the circumstances. See the Appraisal included in APPENDIX G hereto. However, certain of the assumptions made by the Appraiser may prove to be untrue.

Although the District believes that the Appraiser's methodology and assumptions are reasonable under the circumstances, the Appraiser's aggregate value conclusions are expressions of professional opinion only. No assurance can be given that the aggregate values of property in the Improvement Area are equal to or greater than the Appraiser's estimated values, nor can any assurance be given that such aggregate values will not decline during the period of time the Bonds are Outstanding. The values of the property in the Improvement Area can be adversely affected by a variety of factors, including, but not limited to, the occurrence of one or more of the special risk events discussed herein. A decline in the value of a parcel in the Improvement Area could lower the ability or willingness of the owner of such parcel to pay Special Taxes when due and would decrease the amount recoverable at a foreclosure sale of such parcel.

See "THE IMPROVEMENT AREA—Property Values" for a further discussion of estimated property values in the Improvement Area.

Zoning and Land Use Decisions

The Special Taxes, from which funds for the payment of the Bonds are derived, are to be levied annually based upon the land use categories in effect for the property. Decisions made by the City Council, which has control over zoning and land use decisions for property in the City, will affect the prospective use of the property and, therefore, the tax base for the Special Tax. The Rate and Method does not permit land use changes to reduce the tax base to below the Special Tax Requirement.

Exempt Properties

Certain properties within the Improvement Area are or may become exempt from the Special Tax in accordance with the Rate and Method of Apportionment. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local government are exempt from Special Tax; provided, however, that property acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the Mello-Roos Act provides that if property subject to Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay Special Tax with respect to that property is to be treated as if it were a special assessment. Further, properties receiving a welfare exemption under subsection (g) of Section 214 of the California Revenue and Taxation Code are exempt from the Special Tax unless debt is outstanding and the property was subject to the Special Tax prior to receiving the exemption. Neither the District, ECIC or CMB are aware of any property within the Improvement Area currently receiving a welfare exemption. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested.

In particular, insofar as the Mello-Roos Act requires payment of a special tax by a federal entity acquiring property within the community facilities district, it may be unconstitutional. If for any reason property within the Improvement Area becomes exempt from taxation, then, subject to the Rate and Method of Apportionment, including the limitation on the maximum special tax rates set out in the Rate and Method of Apportionment, the special tax will be reallocated to the remaining taxable properties within the Improvement Area. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of land within the Improvement Area becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining property might not be sufficient to pay principal of and interest on the related Local Obligations and could adversely affect the ability of the District to pay principal of and interest on the Bonds when due.

Maximum Special Tax

Within the limits of the Special Tax, the District may adjust the Special Tax on all property in the Improvement Area to provide an amount required to pay interest on, principal of, Minimum Sinking Fund Payments for and redemption premiums, if any, on the Local Obligations, and the amount, if any, necessary to cure delinquencies and replenish the Local Obligations Reserve Account to an amount equal to the Required Bond Reserve, and to pay all current Expenses.

Although the Maximum Special Tax is designed to provide Special Tax revenues on an annual basis, there is no assurance that the Maximum Special Tax on the property in the Improvement Area will be sufficient to pay the amounts required to be paid by the Local Obligations Indenture at all times, from which funds for the payment of the Bonds are derived. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Tax Authorization” and APPENDIX A—“RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX.”

Pursuant to Section 53321 of the Mello-Roos Act as applied to the Improvement Area, under no circumstances will the special tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Improvement Area by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Under the Rate and Method of Apportionment, property is considered “Residential Property” and is subject to the aforementioned limitation once a building permit could be issued for the purposes of constructing one or more residential units.

Ballot Initiatives and Measures

From time to time constitutional initiatives or other initiative measures may be adopted by State voters or voters of the City. For example, Measure W, adopted by City residents in November 2004, required, among other things, that residents north of State Highway 50 not bear the cost for infrastructure and public facilities serving the Folsom Plan Area. The adoption of any such initiative in the future might place limitations on the ability of the State or any political subdivisions thereof, including the Authority or the City, to increase revenues or to increase appropriations, the ability of the landowners to complete their developments, or the ability of the District to collect the Special Tax.

Recent Changes to Federal Income Tax Law

H.R. 1 of the 115th U.S. Congress was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. The District, the City, the

Authority, ECIC, CMB and the other property owners within the Improvement Area cannot predict the effect that the Tax Act may have on the cost of home ownership, the price of homes in the Improvement Area, the rate at which homes in the Improvement Area are sold to individual homeowners by ECIC or merchant builders, the ability or willingness of homeowners to pay Special Tax or property taxes on Taxable Property within the Improvement Area, or the values contained in this Official Statement or in the Appraisal.

Disclosures to Future Purchasers

The District has recorded notice of the Special Tax Lien in the Office of the County Recorder of the County of Sacramento. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land, a home or a commercial or industrial facility in the Improvement Area or the lending of money thereon. The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. State Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax, from which funds for the payment of the Bonds are derived, when due.

Parity Taxes and Special Assessments

The ability or willingness of a property owner in the Improvement Area to pay the Special Tax, from which funds for the payment of the Bonds are derived, could be affected by the existence of other taxes and assessments imposed upon the property either currently existing or imposed in the future. The assessments and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied until they are paid. Such lien is on parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes and other special assessments regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the Improvement Area could, with or in some circumstances without the consent of the owners of the land in the Improvement Area, impose additional taxes or assessment liens on the property in the Improvement Area in order to finance public improvements to be located inside or outside of the Improvement Area.

Although the District has covenanted not to impose additional special taxes or assessments on property within the Improvement Area except in accordance with the Local Obligations Indenture, the Authority and the District have no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in the Improvement Area. The imposition of additional liens on parity with the assessments could reduce the ability or willingness of the owners of parcels in the Improvement Area to pay the Special Tax and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes or the principal of and interest on the Local Obligations when due. As described under “FOLSOM PLAN AREA—Public Facilities Financing Plan,” and “THE IMPROVEMENT AREA—Overlapping Debt” the City plans to issue additional obligations secured by special taxes from time to time to finance backbone infrastructure and public improvements within the Folsom Plan Area and the boundaries of the Improvement Area. For example, CFD 18 authorized the issuance of up to \$200,000,000 in obligations.

The special taxes securing such additional obligations would be payable on parity with the Special Taxes. In addition, property owners may choose to participate in a residential PACE program (a mechanism for financing energy efficiency and renewable energy improvements on private property), consenting to assessments on their parcels that would be on a parity with the Special Taxes. The District does not currently have a timeline as to when any such obligations would be issued.

Bankruptcy

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale of tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full. To the extent that property in the Improvement Area continues to be owned by a limited number of property owners, the chances are increased that the Local Obligations Reserve Fund could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Local Obligations Reserve Account to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Local Obligations on a timely basis. The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax could be delayed by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting rights of creditors generally or by the laws of the State relating to judicial foreclosure. Further, should remedies be exercised under the federal bankruptcy laws against parcels in the Improvement Area, payment of the Special Tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Special Tax in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

Geologic, Topographic and Climatic Conditions

The value of the property in the Improvement Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and wildfire.

The occurrence of seismic activity in the Improvement Area could result in substantial damage to properties in the Improvement Area which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay the Special Tax on their property. The Improvement Area is not located in any existing special study zone delineated by the Chief of the Division of Mines and Geology of the State of California as an area of known active faults and is not

otherwise known to be located within an area of any significant seismic activity. However, it may be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the property may decline.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. In general, property damage due to wildfire could result in a significant decrease in the market value of property in the Improvement Area and in the ability or willingness of property owners to pay Special Taxes.

The Improvement Area is located within an area identified as a moderate fire hazard severity zone. More information regarding Fire Hazard Severity Zones can be found at the California Department of Forestry and Fire Protection website at <https://frap.fire.ca.gov>, though such website is not incorporated herein by reference. The development within the Improvement Area is subject to mitigation measures set forth in a fuel modification plan approved by the City Fire Department. The mitigation measures include, among others, limitations on the type of vegetation that may be planted within fuel modification zones established in open space areas along certain portions of the perimeter of the Improvement Area, minimum setback of structures and irrigation requirements of the fuel modification zones. Maintenance of such zones is expected to initially be the responsibility of the property owners but upon build-out of the Improvement Area and dedication of the open space to the City will be maintained by the City from funds provided through CFD 18. Homeowner's insurance is expected to be available to property owners within the Improvement Area, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the Improvement Area will purchase or maintain such insurance.

In the event of a wildfire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the Improvement Area. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the Improvement Area could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Folsom Dam, located on the American River within the jurisdictional boundaries of the City, was built in 1955 by the United States Army Corps of Engineers and is owned by the United States Bureau of Reclamation. An auxiliary spillway to enable the dam to more easily release water as it nears capacity was completed by the Army Corps of Engineers in October 2017. The City, together with the County and other local agencies, have established a hazard mitigation plan in the event of a dam failure. Geologic, topographic and climatic conditions, if severe, could result in damage to the dam which could further cause damage to the surrounding region and may limit water supply for the City and the Improvement Area.

Potential Impact of Global Health Crises or Concerns

The ability or willingness of property owners to develop property in the Improvement Area, the speed at which property owners develop property in the Improvement Area, the ability or willingness of property owners to sell property in the Improvement Area, the speed at which property owners are able to sell property in the Improvement Area, the ability or willingness of property owners to pay the Special

Tax on property in the Improvement Area when due, the value of the property in the Improvement Area, or the ability of the District to collect delinquent Special Taxes through judicial foreclosure could be adversely affected by a global, national or localized outbreak of an infectious disease, such as COVID-19, a new strain of coronavirus, or by the fear of such an outbreak. The construction industry in the United States relies heavily on international trade for myriad construction materials. A global, national or localized outbreak could impact the availability of workers in countries producing construction materials, potentially resulting in supply chain shutdowns, which may result in substantial construction delays and project cost overruns.

The spread of COVID-19 and the response to its spread has altered the behavior of businesses and people in a manner that has had and is continuing to have a negative impact on global and local economies, and which has resulted in a volatile stock market response and a general disruption of financial markets in the United States and globally. In response to COVID-19, California instituted a statewide stay-at-home order and many California counties issued similar orders. While many COVID 19 restrictions in California and its various counties have ceased or been eased, the same or additional restrictions could be reinstated if the outbreak again worsens, due to the currently increasing spread of any variant of COVID-19, or otherwise, or another similar event occurs. Essential services, including housing construction, were generally exempt from the orders and continued during the pandemic. However, the economic and financial impacts of the stay-at-home orders and the economic downturn related to COVID-19 are predicted to last for multiple years. Executive and legislative efforts have also been made during the COVID-19 pandemic and may be made again in the future that either require or allow county tax collectors to cancel or waive penalties, costs and other charges associated with the delinquent payment of property taxes and the Special Tax upon a showing of property owner hardship caused by the COVID-19 pandemic or related or similar stay-at-home orders. These efforts may affect a property owner's willingness to pay the Special Taxes before they are delinquent.

These events and other factors resulting from such an outbreak, particularly if prolonged, could result in, or increase the likelihood of, the occurrence of certain of the other potential adverse effects described in this Official Statement, including those relating to declines in the value of property, the failure to complete the development of property, the inability to sell, lease and/or operate property, the inability or unwillingness to pay the Special Tax, and delays in (or insufficient funds received from) the collection of delinquent Special Taxes through judicial foreclosure. A future outbreak of COVID-19 or another infectious disease or the threat of any such outbreak could have similar or additional adverse effects. The Authority cannot predict the ultimate effects of the COVID-19 outbreak or any future outbreak or potential future outbreak of an infectious disease, or whether any such effects would have a material adverse effect on the ability to develop the Improvement Area as planned, the ability or willingness of property owners to pay Special Taxes when due, or the ability of the Authority to pay debt service on the Bonds when due.

Failure to Develop

Land development operations are subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. It is possible that the approvals necessary to complete development of all taxable property within the Improvement Area are not obtained on a timely basis or that litigation could be filed regarding approvals. Failure to obtain any such agency approval or satisfy any such government requirement or any litigation concerning such agency approval or government requirement could adversely affect land development operations. In addition, current and future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the Improvement Area, could be enacted, and future land use initiatives approved by

the voters in the City could add more restrictions and requirements on development within the Improvement Area, which restrictions may increase the cost to develop the Improvement Area. One such governmental restriction is the requirement to install rooftop photovoltaic solar systems for residential buildings under three stories constructed starting in 2020. Costs associated with the installation of solar to the homebuilders may reduce the willingness of homebuilders to construct homes and increased costs of those homes may decrease the willingness of homeowners to buy such homes.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the Improvement Area will not be adversely affected by a deterioration of the real estate market or economic conditions generally, future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, acts of war or terrorism, or other factors.

A portion of the Taxable Property in the Improvement Area is presently undeveloped. Undeveloped property is less valuable per acre than developed property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property, and therefore provides less security to the owners of the Bonds should it be necessary for the District to foreclose due to the nonpayment of the Special Taxes. Delays in any property owner's ability to obtain discretionary approvals (including any delays caused by litigation) would in turn delay the construction of improvements and development of the Taxable Property within the Improvement Area. Furthermore, an inability to develop the land within the Improvement Area as currently proposed would result in slower rates of diversification of property ownership within the Improvement Area. Concentration of ownership increases the risk of a failure to collect sufficient Special Taxes to pay debt service on the Bonds, all other things being equal. The timely payment of Special Taxes levied on undeveloped property depends primarily upon the ability and willingness of owners of such property to pay such taxes when due. Certain infrastructure improvements are required before development in the Improvement Area can progress intract. The Phase 2 water infrastructure described under the heading "PROPOSED PROPERTY DEVELOPMENT—Development Entitlements—*Water Supply*" is anticipated to be needed before approximately 2,500 to 3,300 homes are occupied in the Folsom Plan Area. A slowdown in or cessation of the development of land within the Improvement Area could reduce the ability and willingness of such owners to make Special Tax payments, and could greatly reduce the value of such property in the event it has to be foreclosed upon to collect delinquent special taxes. See "—Bankruptcy" above for a discussion of certain limitations on the ability of the District to pursue judicial foreclosure proceedings with respect to taxpayers with delinquent Special Taxes.

Future Private Indebtedness

At the present time, the Improvement Area included properties that are undeveloped, undergoing development or are developed. In order to develop any improvements on that undeveloped land, the property owners will need to construct private improvements, the cost of which may increase the private debt for which the land in the Improvement Area or other land or collateral owned by the property owners is security over that contemplated by the Local Obligations, and such increased debt could reduce the ability or desire of the property owners to pay the Special Tax secured by the land in the Improvement Area. It should be noted however, that the lien of any private financing secured by the land within the Improvement Area would be subordinate to the lien of the Special Tax.

No Independent Review of Valuation or Viability of Completed Projects

Property within the Improvement Area is comprised of separate and distinct projects as described above. Payment of Special Taxes are inherently dependent upon the development within the Improvement Area, and, with respect to residential properties, the ability of the buyers of completed

homes to pay. The Authority, the District, and the Underwriter have not reviewed any business plan for continued ownership, development and/or operation of the property within the Improvement Area. Similarly, the Authority, the District and the Underwriter have not conducted any independent evaluation of the existing or projected economic viability or profitability of any of the plans for development, including review and/or evaluation of financial statements of any owner or developer of any parcel subject to the Special Tax. The information contained herein regarding the proposed development and the owners of the parcels within the Improvement Area has been supplied by such owners and the Underwriter has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of such information.

In the event an owner or developer experiences financial difficulties, including difficulties resulting from construction or operation of the development within the Improvement Area, the value of the affected parcel within the Improvement Area may decline and/or such owner or developer may elect to refrain from payment of future Special Taxes for such parcel. See also “—Failure to Develop.”

Endangered Species

During recent years, there has been an increase in activity at the State of California and federal level related to the possible listing of certain plant and animal species found in California as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. The property within the Improvement Area contains protected habitat and species, including but not limited to Swainson’s hawk and tri-colored blackbird foraging habitats and wetlands regulated by state and federal agencies. Foraging habitat mitigation credits have been satisfied by ECIC or Folsom Real Estate South (a prior owner of the property in the Improvement Area that was acquired by CMB) for all backbone projects and all Improvement Area No. 1 project phases. At present, the property within the Improvement Area is not known to be inhabited by any other plant or animal species listed as threatened or endangered under either the State or federal endangered species acts or which either the California Fish and Game Commission or the United States Fish and Wildlife Service has proposed for addition to the respective endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to undeveloped property could negatively affect the developer’s ability to complete development as planned. This, in turn, could reduce the likelihood of timely payment of the Special Tax, from which funds for the payment of the Bonds is derived, and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See “CERTAIN RISKS TO BONDHOLDERS—Land Values.”

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel in the Improvement Area is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in the Improvement Area be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The appraised value of property in the Improvement Area does not take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. While the District is not aware that the owner (or operator) of any of parcels has such a current liability with respect to any of the parcels, it is possible that such liabilities do currently exist and that the District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the Improvement Area that is realizable upon a delinquency.

Naturally Occurring Asbestos

California Air Resource Board (“CARB”) adopted the Airborne Toxic Control Measure (“ATCM”) for Construction, Grading, Quarrying and Surface Mining Operations. This statewide regulation is applicable to grading or any other projects disturbing soil in areas of California where asbestos may exist, as determined by the California Geological Survey (“CGS”). The ATCM applies to any size construction project although there are additional notification requirements for projects that exceed one acre. Areas and parcels moderately likely to contain naturally occurring asbestos are located in the eastern parts of Sacramento County, including in the City.

Natural weathering or human disturbance can break the asbestiform minerals down to microscopic fibers, which are easily suspended in air. There is no health threat if asbestos fibers in soil remain undisturbed and do not become airborne. When inhaled, these thin fibers irritate tissues and resist the body’s natural defenses. Asbestos causes cancers of the lung (such as mesothelioma) and the lining of internal organs, asbestosis, and other diseases that inhibit lung function. Scientists consider certain types of asbestos fibers (i.e., tremolite fibers and similarly structured amphibole asbestos particles) that are frequently identified in the City to be more potent than other types in causing mesothelioma.

The EIR for the Folsom Plan Area required all new development to undertake a site investigation to determine the presence of naturally occurring asbestos and, if necessary, prepare and implement an asbestos dust control plan. ECIC has undertaken an asbestos dust control plan with respect to development within the Improvement Area and the costs of development in this Official Statement reflect the costs associated with asbestos mitigation.

The health concerns associated with the presence of naturally occurring asbestos in the Improvement Area may adversely affect the marketability of property in the area.

Naturally Occurring Arsenic

Arsenic is a naturally occurring element that is commonly found in soil, among other locations, and is considered to be cancer-causing. Arsenic traces, in elevated concentrations as compared to

naturally occurring background levels, were identified in open space areas adjacent to Village 1. No grading has occurred, nor is any planned in this portion of the Improvement Area. Additionally, ECIC has implemented monitoring protocols and identified mitigation measures should naturally occurring arsenic be found during any grading activities nearby.

The health concerns associated with the presence of naturally occurring arsenic in the Improvement Area may adversely affect the marketability of property in the area.

FDIC/Federal Government Interests in Properties

The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Under the Supremacy Clause of the United States Constitution, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Improvement Area but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson*, 597 F.2d 174 (1979), the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the Authority nor the District have undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Area, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

In the event that any financial institution making any loan which is secured by real property within the Improvement Area is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the Authority to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect

before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad *valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes. According to information available from the Sacramento County assessment roll, the FDIC does not currently own any of the property in the Improvement Area.

The Authority and the District are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Improvement Area in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at foreclosure sale. Such an outcome could cause a draw on the reserve account for the Local Obligations and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Local Obligations and the Bonds.

No Acceleration Provision

The Local Obligations Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms thereof.

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the District subsequent to the issuance of the Bonds in violation of the District's covenants with respect to the Bonds. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption.

LEGAL MATTERS

The validity of the Bonds, the Local Obligations and certain other legal matters are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"). Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinion as to the matters set forth herein. Certain legal matters will be passed upon for the District and the Authority by the City Attorney. Certain legal matters relating to the Local Obligations will be passed upon by Orrick, Herrington & Sutcliffe LLP, as bond counsel to the District. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Bonds.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth as APPENDIX E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority, the City and the District have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the City or the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the City and the District have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City, the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority, the City or the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the City, the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners

(including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

NO LITIGATION

At the time of delivery of and payment for the Bonds and the Local Obligations, the Authority and/or the District, as applicable, will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory agency, public board or body pending or threatened against the Authority or the District affecting their existence, or the titles of their respective officers, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds or the Local Obligations, the application of the proceeds thereof in accordance with the Trust Agreement, or the collection or levy of the Special Taxes to pay the principal of and interest on the Local Obligations, or in any way contesting or affecting the validity or enforceability of the Local Obligations and the Bonds, the Trust Agreement, the Local Obligations Indenture, the Bond Purchase Contract entered into among the Authority, the District and the Underwriter or any other applicable agreements or any action of the Authority or the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or the District or their authority with respect to the Bonds or the Local Obligations or any action of the Authority or the District contemplated by any of said documents, nor, to the knowledge of the Authority, is there any basis therefor.

NO RATING

The Authority has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds. The absence of a rating may significantly adversely affect the ability of the owner of Bonds to sell such Bonds.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc. as municipal advisor (the "Municipal Advisor") with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Compensation of the Municipal Advisor relating to the issuance of the Bonds is contingent upon the issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter") pursuant to a Bond Purchase Contract (the "Purchase Contract"), by and among the Authority, the District and the Underwriter. Pursuant to the Purchase Contract, the Underwriter has agreed to purchase all of the Bonds from the Authority at a purchase price of \$_____, being the aggregate principal amount of the Bonds of \$_____, [plus/less] [an/ a net] original issue [premium/discount] of \$_____ and less an Underwriter's discount of \$_____. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof.

CONTINUING DISCLOSURE

The District

The District has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Bonds by not later than nine months following the end of the District's fiscal year (which fiscal year currently ends June 30) commencing with the report for the 2021-22 Fiscal Year (the "Annual Report"), which is due April 1, 2023, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with EMMA, and the first Annual Report may include the filing of or reference to this Official Statement. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is contained within APPENDIX D—"FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The District is committed to complete and accurate continuing disclosure in accordance with its continuing disclosure obligations under the federal securities laws, including rules and regulations promulgated by the SEC and the MSRB, as those rules may be amended from time to time. [However, during the past five years, there were specific instances where complete and accurate disclosure was not achieved by the City or its related agencies, including, (1) the City failed to include revenue fund balances for certain of the Folsom Public Financing Authority's revenue bonds issued in 2007 in the annual reports for Fiscal Years 2015 through 2017, and (2) a notice of listed event for a ratings upgrade on October 12, 2018, was not timely filed for certain of the Folsom Public Financing Authority's water revenue bonds. The description of these instances of non-compliance in this Official Statement is not an acknowledgement that any such non-compliance was material. Further, the City has made remedial filings to address these instances of non-compliance for those issues that are still outstanding and has policies and procedures in place in order to achieve compliance with its continuing disclosure undertakings.]

KB HOME Sacramento and Tri Pointe

Pursuant to separate certificates, KB HOME Sacramento and Tri Pointe have each covenanted for the benefit of the Bondholders to provide certain information relating to it, its development plan and its financing plan (the "Disclosure Reports"), and to provide notices of the occurrence of certain enumerated events until the obligation to so provide such information, data and notices is otherwise terminated in accordance with the provisions of such certificate. A form of the Continuing Disclosure Certificate for KB HOME Sacramento and Tri Pointe is included in APPENDIX D—"FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS." Such information is to be provided semiannually not later than March 31 and September 30 of each year, commencing with the Disclosure Report due September 30, 2022. The Disclosure Reports are to be filed with EMMA.

The Authority and the District have not considered, or reached any conclusion as to, whether or not KB HOME Sacramento or Tri Pointe are an obligated person under the Rule. The Authority takes no responsibility for the form or content or for the adequacy of the respective Continuing Disclosure Certificates for KB HOME Sacramento or Tri Pointe for their intended purpose.

The obligations of KB HOME Sacramento and Tri Pointe under the respective Continuing Disclosure Certificate will terminate when the property within the Improvement Area owned by KB HOME Sacramento and Tri Pointe, respectively, is no longer obligated to pay 20% or more of the Special Taxes within the Improvement Area.

KB HOME Sacramento Prior Continuing Disclosure Compliance: KB HOME Sacramento's Sacramento Division will be responsible for compliance with KB HOME Sacramento's obligations under its Continuing Disclosure Certificate. KB HOME Sacramento represents that, based on a review of prior continuing disclosure compliance obligations in northern California, except as described in the following paragraph, the Sacramento Division of KB HOME Sacramento has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts in northern California within the past five years.

However, in connection with the phased acquisition of lots from the master developer of property within California Statewide Communities Development Authority Community Facilities District No. 2015-01, Improvement Area No. 2 (University District) ("CSCDA CFD No. 2015-01, IA No. 2"), KB HOME South Bay Inc. ("KB South Bay") executed a Continuing Disclosure Certificate – Developer, dated December 18, 2017, with respect to the initial acquisition of 30 lots within CSCDA CFD No. 2015-01, IA No. 2, a Continuing Disclosure Certificate – Developer, dated June 14, 2018, with respect to a second acquisition of 30 additional lots within CSCDA CFD No. 2015-01, IA No. 2, a Continuing Disclosure Certificate – Developer, dated October 16, 2018, with respect to a third acquisition of 47 additional lots within CSCDA CFD No. 2015-01, IA No. 2 and a Continuing Disclosure Certificate – Developer, dated December 21, 2018, with respect to a fourth acquisition of 57 additional lots within CSCDA CFD No. 2015-01, IA No. 2 (each, a "CDC" and, collectively, the "CDCs"). Each CDC required the filing of an Annual Report by December 15 of each year with respect to the property referenced in the applicable CDC unless the obligation had previously terminated. KB South Bay believed that its reporting obligation pursuant to each of the first three CDCs terminated prior to the December 15, 2018 Annual Report date because the property referenced in each such CDC was not responsible for 20% or more of the special taxes within CSCDA CFD No. 2015-01, IA No. 2. Consequently, KB South Bay did not file such Annual Report. KB South Bay filed a Notice of Termination of its obligations under all of the CDCs on EMMA on November 13, 2019. [KB HOME TO CONFIRM its April 1st report for West Patterson Financing Authority CFD 2018-1 (Villages of Patterson) Special Tax Bonds Series 2021 and March 31st report for County of Placer CFD 2017-1 (Riolo Vineyard Specific Plan) IA 1 are timely filed.]

Tri Pointe Prior Continuing Disclosure Compliance: Tri Pointe's Sacramento Division will be responsible for compliance with Tri Pointe's obligations under its Continuing Disclosure Certificate. Tri Pointe represents that, based on a review of prior continuing disclosure compliance obligations in northern California, the Sacramento Division of Tri Pointe has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts in northern California within the past five years.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Authority, the District and the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the District since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of such documents and reports are available

for inspection at the office of the Finance Director, City of Folsom, City Hall, 50 Natoma Street, Folsom, California 95630.

The execution and delivery of the Official Statement by the Authority and the District has been duly authorized by the Board of Directors of the Authority and the City Council, respectively.

FOLSOM RANCH FINANCING AUTHORITY

By: _____
Treasurer

**CITY OF FOLSOM COMMUNITY FACILITIES
DISTRICT NO. 23 (FOLSOM RANCH)**

By: _____
City of Folsom Finance Director

APPENDIX A
RATE, METHOD OF APPORTIONMENT AND MANNER OF
COLLECTION OF SPECIAL TAX

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FOLSOM

This Appendix contains certain economic and demographic information relating to the City. Neither the faith and credit nor the taxing power of the City, the Authority, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Trust Estate, no other revenues or taxes are pledged to the payment of the Bonds. The Bonds are not general obligations of the Authority, the District or the City but are limited obligations of the Authority payable solely from the Trust Estate, derived primarily from payments on the Local Obligations from the payment of the Special Taxes levied within the District, as more fully described in the Official Statement to which this Appendix is appended. The information set forth herein that has been obtained from sources other than the City is believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. Information contained in this Appendix B is presented as general background data. The taxing power of the City, the State of California, or any political subdivision thereof is not pledged to the payment of the Bonds.

General

The City is located in the eastern portion of Sacramento County (the “County”), approximately 110 miles northeast of San Francisco and 20 miles east of Sacramento. The City is located along the eastern end of the Highway 50 corridor in an area of the Sacramento Valley that has experienced considerable growth over the past 30 years.

City Government

The City was incorporated in 1946 and chartered in 1990. The City’s primary governing body is the City Council, composed of five members who are elected at large and who serve four-year terms. The council members choose a mayor and vice mayor from among their members. Current City Council members are:

Member	Term Expires
Kerri Howell (Mayor)	11/2022
Rosario Rodriguez (Vice Mayor)	11/2024
Sarah Aquino	11/2022
YK Chalamcherla	11/2024
Mike Kozlowski	11/2022

The City operates under a Council-Manager form of government. The City Manager is responsible for daily administration of City affairs. Elaine Andersen has served as City Manager since 2018. The City Manager is appointed by and serves at the will of the City Council. The City Manager is responsible for implementation of City Council policy, enforcement of City laws and ordinances, appointment and discipline of City officers and employees, oversight of City departments, preparation and submission of the City budget to the City Council, and other related functions.

City Budget Process

The City’s annual budget is adopted by the City Council on or before the last working day of June. If the City Council fails to adopt a budget by such date, the budget proposed by the City Manager

shall be deemed adopted. The City Manager may transfer moneys between departments and divisions, and programs and accounts within departments and divisions, but only the City Council may by resolution transfer moneys between funds and from un-appropriated balances or fund balances to any fund or appropriation account. The City Council adopted the Fiscal Year 2021-22 budget on May 11, 2021.

Budget information is adopted on an annual basis for the General Fund, special revenue funds and debt service funds. The budget is adopted on a project length basis for capital projects funds. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- A. Department heads prepare a budget request based upon the previous year's expenditures.
- B. Meetings are held between the department heads, the Chief Financial Officer and City Manager for the purpose of reviewing and prioritizing budget requests.
- C. The City Manager submits the proposed city budget to the City Council, who makes decisions regarding department budgets.
- D. Transfers between funds and changes in the total budget must be approved by the City Council.

Budget information is presented for the General Fund, Successor to the Redevelopment Agency, Special Revenue Funds, Capital Projects Funds, Proprietary Funds and Internal Service Fund as required supplementary information. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations and unexpended grant appropriations, lapse at the end of each fiscal year.

Revenues and expenditures relating to the City's general governmental operations are budgeted and accounted for in the City's General Fund, including public safety, highways and streets, health and welfare and culture and recreation. General taxes and fees support most of these activities. The City's Fiscal Year 2021-22 adopted budget includes over \$220.2 million in expenditures across all funds. Of this amount, approximately \$92.5 million was allocated to the General Fund of the City.

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Population

The historic population of the City, the County and the State is shown in the following table.

City of Folsom, Sacramento County and State of California Population Estimates (As of January 1)

<u>Year</u>	<u>City of Folsom</u>	<u>Sacramento County</u>	<u>State of California</u>
1990 ⁽¹⁾	29,798	1,066,789	29,811,427
2000 ⁽¹⁾	51,884	1,223,499	33,871,648
2010 ⁽¹⁾	72,203	1,418,788	37,253,956
2016	76,260	1,495,620	39,103,587
2017	77,050	1,511,390	39,352,398
2018	77,598	1,525,099	39,519,535
2019	78,666	1,538,054	39,605,361
2020	81,106	1,553,157	39,648,938
2021	82,303	1,561,014	39,466,855

⁽¹⁾ Based on United States Census Bureau data as of April 1 in such year.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2021, with 2010 Census Benchmark, Sacramento, California, May 2021.

Building Activity

Residential building activity for the past five calendar years for the City is shown in the following table.

BUILDING PERMITS AND VALUATIONS City of Folsom 2017-2021

<u>Permit Valuation</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
New Single-Family	\$49,876,243	\$133,853,629	\$168,004,023	\$181,531,127	\$351,482,252
New Multi-Family	44,567,106	18,535,990	15,533,653	11,039,625	6,621,585
Res. Alterations/Additions	9,213,460	8,634,352	10,055,289	11,214,031	13,200,936
Res. Other	21,854,701	24,467,871	26,537,274	34,630,673	43,832,114
Total Residential ⁽¹⁾	\$125,511,510	\$185,491,842	\$220,130,239	\$238,415,456	\$415,136,887
New Commercial	\$1,440,277	\$735,936	\$1,384,871	\$230,698	\$570,954
New Industrial	3,374,395	--	--	--	--
Comm./Ind.	21,432,333	19,013,485	26,361,400	10,117,261	11,622,910
Alterations/Additions					
Other Comm./Ind.	14,023,780	9,171,404	14,185,636	2,011,887	9,611,894
Total Non-Residential ⁽¹⁾	\$40,270,785	\$28,920,825	\$41,931,907	\$12,359,846	\$21,805,758

⁽¹⁾ Totals may not add to sum because of rounding.

Source: City of Folsom.

Employment

The table below reflects recent employment information for the City's largest employers for the fiscal year ended June 30, 2021.

PRINCIPAL EMPLOYERS
City of Folsom
Fiscal Year 2020-21

<u>Business Name</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Intel Corporation	5,992	16.11%
California State Prison	1,547	4.16
Folsom Cordova Unified School District ⁽¹⁾	1,198	3.22
Folsom State Prison	1,002	2.69
Mercy Hospital of Folsom	732	1.97
California Independent System Operator	639	1.72
City of Folsom	452	1.22
SAFE Credit Union ⁽²⁾	378	1.02
Micron Technology, Inc.	372	1.00
Costco Wholesale	350	0.94
Total Top Employers	12,662	34.04%
Total Labor Force ⁽³⁾	37,200	100.00%

⁽¹⁾ Includes both certified and classified employees in Folsom only.

⁽²⁾ Includes both the corporate and Folsom branch.

⁽³⁾ Total Folsom labor force provided by EDD Labor Force Data.

Source: MuniServices, LLC/ Avenu Insights & Analytics

The unemployment rate in the Sacramento—Roseville—Arden-Arcade, CA Metropolitan Statistical Area ("Sacramento MSA"), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was approximately 6.2% in 2021, down from the 2020 estimate of approximately 8.7%. This compares with an unadjusted unemployment rate of 7.3% for California and 5.3% for the nation during the same period. The unemployment rate was 5.7% in El Dorado County, 5.0% in Placer County, 7.0% in Sacramento County and 5.8% in Yolo County for 2021.

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The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2017 through 2021.

**Sacramento—Roseville—Arden-Arcade, CA Metropolitan Statistical Area
Labor Force, Employment and Unemployment Yearly Average⁽¹⁾**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Civilian Labor Force ⁽²⁾	1,074,000	1,088,300	1,100,800	1,091,700	1,099,300
Employment	1,024,800	1,046,900	1,060,300	994,000	1,028,800
Unemployment	49,200	41,500	40,500	97,700	70,500
Unemployment Rate	4.6%	3.8%	3.7%	9.0%	6.4%
<u>Wage and Salary Employment</u> ⁽³⁾					
Total Farm	9,800	9,100	8,700	8,300	9,000
Mining and Logging	400	500	500	600	700
Construction	58,700	64,500	69,400	70,200	74,100
Manufacturing	35,700	36,000	36,800	36,100	37,500
Wholesale Trade	26,500	28,400	28,600	26,500	26,400
Retail Trade	101,400	102,000	100,500	95,200	101,100
Transportation, Warehousing and Utilities	27,400	29,500	32,200	34,300	37,100
Information	12,600	12,400	11,900	10,200	10,000
Finance and Insurance	37,400	36,700	35,200	34,800	34,300
Real Estate and Rental and Leasing	15,200	16,800	17,300	16,900	17,400
Professional and Business Services	132,400	136,000	137,200	132,500	136,700
Educational and Health Services	153,600	159,800	166,600	164,000	168,400
Leisure and Hospitality	103,300	106,200	109,600	83,900	92,800
Other Services	33,000	34,200	35,400	31,000	32,600
Federal Government	14,200	14,100	14,200	14,800	14,500
State Government	118,400	120,400	121,900	121,700	126,800
Local Government	<u>102,600</u>	<u>103,500</u>	<u>105,300</u>	<u>98,900</u>	<u>98,000</u>
Total, All Industries ⁽⁴⁾	982,500	1,009,900	1,031,300	979,700	1,017,200

⁽¹⁾ Data not adjusted for seasonality.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽⁴⁾ Data may not add due to rounding.

Source: State of California Employment Development Department.

Retirement Programs

General. The City contributes to two plans in the California Public Employees' Retirement System ("CalPERS"). The safety plan covers all of the City's full-time sworn uniformed fire employees, sworn uniformed police employees, and all chiefs in both departments. The miscellaneous plan covers all remaining eligible employees.

As of June 30, 2020, the date of the most recent actuarial study report, the safety plan and the miscellaneous plan were 61.9% funded and 64.1% funded, respectively. For the safety plan, the actuarial accrued liability was \$224.7 million and the market value of assets was \$139.1 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$85.6 million. For the miscellaneous plan, the actuarial accrued liability was \$252.2 million and the market value of assets was \$161.7 million, resulting in a UAAL of \$90.5 million.

For the year ended June 30, 2021, the City's annual pension cost of \$8,506,647 for the safety plan and \$9,775,127 for the miscellaneous plan were equal to the City's required contributions. Based on the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021 (the "Fiscal Year 2021 CAFR"), the three-year trend information for the safety and miscellaneous plans combined is as follows:

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
6/30/2019	\$14,319,476	100%	—
6/30/2020	17,445,069	100%	—
6/30/2021	18,281,774	100%	—

Other Post-Employment Benefits. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions ("GASB 45"). GASB 45 requires governmental agencies to change their accounting for Other Post-Employment Benefits ("OPEB") from a pay-as-you-go to an accrual basis. The City has implemented the requirements of GASB 45, including financial statement reporting and disclosure requirements. Among other things, employers that participate in single-employer or agent multiple-employer defined benefit OPEB plans are required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. Annual OPEB cost is equal to the employer's annual required contribution to the plan, with certain adjustments. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. An employer's net OPEB obligation is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan.

The City sponsors and administers a single-employer defined benefit post-employment healthcare plan (the "Healthcare Plan") to provide healthcare insurance benefits to eligible retired employees and their dependents. The City pre-funds the Healthcare Plan through a Futuris Public Entity Investment Trust and a Retirement Board of Authority made up of the Mayor, one at large City Council member, the City Manager, the Finance Director, and the Human Resources Director. The Retirement Board of Authority delegated authority of the trust to the Benefit Trust Company. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For Fiscal Year 2022, the City contributed \$500,000 to the plan for current premiums.

For more information regarding the City's OPEB liabilities, see note 12 to the City's Fiscal Year 2021 CAFR.

Capital Improvement Program

The City's Capital Improvement Program ("CIP") is a multi-year plan that forecasts spending for all anticipated capital projects and is considered to be the link between the City's development and financing planning process. CIP funding comes mainly from impact fees and a number of other special revenue funds, as well as grants and loans. Within each program category, the City identifies resources that it will commit to priority capital projects. CIP costs include both one-time expenses and recurring expenses related to capital rehabilitation. The City's CIP for Fiscal Year 2022 is approved at \$72.8 million, which is approximately 76.7% more than the City's approved CIP for Fiscal Year 2021 of \$41.2 million.

Investment Policy

The City's Investment Policy is codified in Section 3.30.030 of the City of Folsom Municipal Code and is set forth below:

It is the primary duty of the city officers having responsibility for investing city moneys to protect, preserve and maintain cash and investments placed in their trust on behalf of the citizens of the city. To that end, those investment officers shall comply with the following guidelines and procedures:

- A. Interest yield on investments shall be secondary to the basic requirements of safety and liquidity of moneys.
- B. The city investment portfolio shall be designed to equal or exceed the rate of return of the state's local agency investment fund (LAIF) throughout budgetary and economic cycles, taking into account the city's risk constraints, cash flow characteristics of the investment portfolio, this chapter, this code and state law.
- C. The city investment portfolio shall be diversified to minimize risks regarding specific security types or individual financial institutions.
- D. All city investment officers shall adhere to the guidance provided by the "prudent investor standard" as set out in the California Government Code Section 53600.3.
- E. All participants in the investment process shall act as custodians of the public trust. Investment officers shall recognize that the investment portfolio is subject to public review and evaluation.
- F. The city's chief investment officer shall quarterly submit an investment report to the city council, which report shall include all required elements as prescribed by California Government Code Section 53646. The city's chief investment officer shall monthly submit a report of transactions to the city council as prescribed in California Government Code Section 53607. In both instances the city chief investment officer may include such other information as deemed appropriate.
- G. The finance director shall develop a system of internal controls over investments, which control system shall be documented in writing according to California Debt and Investment Advisory Commission guidelines. The system shall be designed to prevent losses of public moneys arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by city employees or officers.

- H. Financial institutions in which the city has investments shall be monitored as to financial condition throughout the period in which the city has moneys deposited or invested, to assure that the condition of the institution does not materially deteriorate so as to risk the city's investments.
- I. A statement of investment policy shall be developed, and changes to the policy submitted to the city council as needed.
- J. Security purchases and holdings shall be maintained within the limits permitted by the City Charter, this chapter and the California Government Code, whichever is the most restrictive both as to percentages of the total investment portfolio which might be invested in the various types of securities and as to the maximum length of maturity.

The following table shows the type of investments and other information on the portfolio as of June 30, 2021.

**CITY OF FOLSOM
PORTFOLIO SUMMARY
As of June 30, 2021**

Investments by Fair Value Level	Balance
City Pooled Investments	
Certificate of Deposit	\$8,138,000
Corporate Notes	13,547,590
Municipal Obligations (City)	38,737,190
Municipal Obligations (FRFA)	133,397,944
Municipal Obligations (FPFA)	48,061,731
Federal Home Loan Bank	2,000,000
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy	
Local Agency Investment Funds	114,965,257
Money Market Mutual Funds	<u>3,345,638</u>
Total Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy	<u>118,310,895</u>
Total City's Pooled Investments	<u>362,193,350</u>
Investments Held with Fiscal Agent Not Measured at Fair Value	
JPA (CAMP)	203,279
Money Market Mutual Funds	<u>19,602,104</u>
Investments Held with Fiscal Agent by Fair Value Level	
OPEB Plan Investments – Mutual Funds	9,116,721
Total Investments Held with Fiscal Agents	<u>28,922,104</u>
Total Investments	<u>\$391,115,454</u>

Source: City of Folsom.

Insurance, Risk Pooling and Joint Powers Arrangements

The City participates in pooled insurance programs offered by the Northern California Cities Self Insurance Fund (“NCCSIF”), a joint powers agency that provides the City with a shared risk layer of coverage above its self-insured \$100,000 retention for liability and workers’ compensation. NCCSIF also provides claims servicing to the City for its banking layer, which represents the City’s self-insurance. NCCSIF consists of 18 member cities, all located within California, and is governed by a board of directors appointed by the member cities. It provides pooled claims processing administrative services, risk management services, and actuarial studies. The City’s deposit for the fiscal year ended June 30, 2021, was \$2,852,642, and for the fiscal year ended June 30, 2020, was \$3,978,049. For the Fiscal Year ended June 30, 2021, NCCSIF had net assets of \$23,979,056 and a net loss of \$566,837.

Sales Taxes

The following table shows taxable transactions in the City during calendar years 2016 through 2020 and through the third quarter of 2021.

TAXABLE SALES
City of Folsom
2016-2021⁽¹⁾
(in Thousands)

<i>Year</i>	<i>Retail Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2016	1,588	\$1,595,641	2,404	\$1,828,059
2017	1,614	1,663,432	2,459	1,944,041
2018	1,593	1,721,452	2,501	1,983,797
2019	1,616	1,741,755	2,602	2,093,411
2020	1,652	1,579,786	2,741	1,795,390
2021 ⁽¹⁾	1,598	1,380,939	2,637	1,538,688

⁽¹⁾ Through the third quarter of 2021.

Source: City of Folsom.

Community Facilities

The four-county Sacramento Metropolitan Area offers multiple parks, playgrounds, theaters and golf courses. Recreational activities offered along the American and Sacramento Rivers include fishing, swimming, boating, biking, horseback riding and hiking. Varied cultural opportunities include art galleries and museums, two major symphonies, three ballet companies, scores of movie theaters showing first run films and many theater groups offering live stage plays. In February 2011, the \$50 million performing arts complex Harris Center – Three Stages at Folsom Lake College opened. The state of the art facility is one of the largest college performing arts centers in the state and hosts theatre, symphonies, and ballets.

Media outlets in the four-county area consist of more than 30 newspapers, nine television stations (four network, four independent, one public) and 30 radio stations.

Education

The Folsom-Cordova Unified School District operates schools both in the City and in the Sacramento suburb of Rancho Cordova, which borders the City to the west. In the City, the school district now has three high schools, two middle schools, and ten elementary schools.

Institutions of higher learning situated in the Sacramento area include California State University, Sacramento, and the University of California at Davis, which includes a medical school and law school. Private universities, such as William Jessup University, the University of Sacramento, and National University also have campuses in the Sacramento region. Other institutions include the McGeorge School of Law (University of the Pacific), and extensions and satellites of schools such as the University of Southern California, University of San Francisco, Golden Gate University, and Drexel University among others. There are a number of Community Colleges in the region, including Folsom Lake College. In addition to the main campus located within the City, the Folsom Lake College operates the El Dorado and Rancho Cordova centers and enrolls more than 8,000 students.

Utilities

The City's water treatment plant produces and delivers high-quality drinking water, supplying water to the portion of the City south of the American River. The Water Division of the City's Environmental and Water Resources Department inspects and maintains, as of December 31, 2021, the 376 miles of water mains, 23,186 service connections and 3,800 fire hydrants. The City also provides sewage collection services for the entire City. The Sewer Division of the City's Environmental and Water Resources Department inspects and maintains, as of December 31, 2021, the 274 miles of pipeline, 109 miles of sewer laterals, 17 pump stations, and 24,270 service connections. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The City also provides solid waste collection services. The Solid Waste Division of the City's Public Works Department operates a fleet of solid waste vehicles for collection, as well as providing recycling, household hazardous waste pickup and disposal, and neighborhood clean-up services for the entire City.

APPENDIX C
SUMMARY OF PRINCIPAL DOCUMENTS

APPENDIX D

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

DISTRICT CONTINUING DISCLOSURE CERTIFICATE

THIS DISTRICT CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated as of _____, 2022, is executed and delivered by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”) relative to the Folsom Ranch Financing Authority (the “Authority”) in connection with the issuance by the Authority of the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement (the “Trust Agreement”), among the District, the Authority and U.S. Bank Trust Company, National Association (the “Trustee”). The District covenants and agrees as follows.

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Annual Report Date” means the date in each year that is nine months after the end of the District’s fiscal year, which date, as of the date of this Disclosure Certificate, is April 1.

“Dissemination Agent” shall mean NBS, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Financial Obligation” means, for purposes of the Listed Events set out in Section 5(a)(10) and Section 5(b)(7), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include Municipal Securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” means any of the events listed in subsection (a) of Section 5 hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” means the Official Statement, dated _____, 2022, relating to the Bonds.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 hereof, not later than the Annual Report Date, commencing with the report for the 2021-22 Fiscal Year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s fiscal year changes, it shall, or shall instruct the Dissemination Agent to, give notice of such change in the same manner as for a Listed Event under subsection (e) of Section 5 hereof. The first Annual Report may include the filing of or reference to the Official Statement. The first Annual Report may include the filing of or reference to the Official Statement.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent.

(c) If the Dissemination Agent is other than the District, then not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent. If the District is unable to provide the Annual Report to the MSRB by the Annual Report Date, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A to the Disclosure Certificate.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was so provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) The District’s audited financial statements, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 3 hereof, the Annual Report shall contain unaudited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available. If the District’s financial statement is included or consolidated with the financial statement for the City of Folsom (the “City”), then the District shall file the City’s audited financial statements as its own.

(b) The following information:

(i) The principal amount of Bonds and any bonds secured by Additional Local Obligations (as defined in the Official Statement) Outstanding as of the December 31 next

preceding the Annual Report Date along with debt service schedules for the Bonds and any bonds secured by Additional Local Obligations (as defined in the Official Statement) Outstanding as of such date;

(ii) The balance in each reserve account for the Local Obligations, and a statement of the required bond reserve amount, as of the December 31 next preceding the Annual Report Date;

(iii) The total assessed value of all parcels within the Improvement Area on which the Special Taxes are levied, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor based on special tax and assessment debt, either by individual parcel or by categories (e.g., “below 3:1,” “3:1 to 4:1” etc.);

(iv) The Special Tax delinquency rate for the Improvement Area as of the December 31 next preceding the Annual Report Date; the number of parcels within the Improvement Area delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date; the amount of each delinquency; the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the District; provided, however, that parcels with aggregate delinquencies of \$1,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category;

(v) The status of foreclosure proceedings and a summary of the results of any foreclosure sales in the Improvement Area as of the December 31 next preceding the Annual Report Date;

(vi) The identity of any property owner, representing more than 5% of the Special Tax levy, delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date;

(vii) All tentative and final maps approved and/or recorded within the Improvement Area, describing the gross acres, the planned commercial acres and the number and type of planned residential dwelling units;

(viii) The number of new building permits issued and a description of the purpose of such permits (e.g., new single-family, new multi-family, new commercial, new industrial);

(ix) A land ownership summary listing the top ten Special Tax payers for the Improvement Area, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date; and

(x) For the current Fiscal Year, the amount of the Effective Tax Rate Evaluation Maximum Facilities Special Tax, the Maximum Special Tax, the actual Facilities Special Tax levied within the Improvement Area and the actual Special Tax levied within the Improvement Area, with such amounts reported separately for Developed Property, Small Lot Final Map Property and Large Lot Property; provided, however, that once all Taxable Property within the Improvement Area is Developed Property, the Maximum Special Tax and the actual Facilities Special Tax and the actual Special Tax levied may each be shown on an aggregate basis in the Annual Report. For the purposes of this subparagraph (x), all capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Rate and Method of Apportionment for the Improvement Area.

In addition to any of the information expressly required to be provided under this Section, as set forth above, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB through the EMMA System. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the District shall give notice, or cause notice to be given, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the security.

- (vi) Defeasances.
- (vii) Tender offers.
- (viii) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (ix) Rating changes.

(x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial Obligation of the District, any of which reflect financial difficulties.

(b) The District shall give notice, or cause notice to be given, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Modifications to rights of Bond holders.
- (ii) Bond calls.
- (iii) Release, substitution or sale of property securing repayment of the Bonds.
- (iv) Non-payment related defaults.

(v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vi) Appointment of a successor or additional trustee or the change of name of a trustee.

(vii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b) above, the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable federal securities laws, the District shall notify the Dissemination Agent thereof in writing and instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) of this Section. If in response to a request under subsection (b) of this Section, the District determines that the Listed Event would not be material under applicable Federal securities law, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e) of this Section.

(e) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (ii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give

notice of such termination in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 3 hereof, Section 4 hereof or subsections (a) and (b) of Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be given in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of outstanding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Trust Agreement. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District has executed this Disclosure Certificate as of the date first above written.

**CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Folsom Ranch Financing Authority
Name of Issue: Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022
Date of Issuance: _____, 2022

NOTICE IS HEREBY GIVEN that the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated _____, 2022, executed by the District for the benefit of the Holders and Beneficial Owners of the above-referenced bonds. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

**CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By: _____
Finance Director of the City of Folsom

CONTINUING DISCLOSURE CERTIFICATE – HOME BUILDER

This Continuing Disclosure Certificate – Home Builder (the “Disclosure Certificate”) dated as of _____, 2022, is executed and delivered by [KB HOME Sacramento Inc./Tri Pointe Homes Holdings, Inc.] (the “Developer”) in connection with the issuance of \$_____ aggregate principal amount of Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement, dated as of May 1, 2022 (the “Trust Agreement”), among the Folsom Ranch Financing Authority (the “Issuer”), the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the holders and beneficial owners of the Bonds. The Developer acknowledges that the Issuer and the District have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Certificate, and has no liability to any person, including any holder or beneficial owner of the Bonds, with respect to this Disclosure Certificate.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) any Person directly or indirectly owning, controlling, or holding with power to vote, 50% or more of the outstanding voting securities of such other Person, (b) any Person 50% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Assumption Agreement” means an agreement containing terms substantially similar to this Disclosure Certificate, whereby a Major Developer agrees to provide Semi-Annual Reports and notices of significant events with respect to the portion of the Property owned by such Major Developer and its Affiliates, and with respect to the improvements or payments necessary to cause the Planned Development Stage to be reached that such Major Developer, or an Affiliate thereof, intends or is obligated (contractually or otherwise) to make or cause to be made.

“Bonds” means the \$_____ Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022.

“Developer” means [KB HOME Sacramento Inc./Tri Pointe Homes Holdings, Inc.].

“Development Plan” means with respect to a Major Developer, the specific improvements such Major Developer intends to make, or cause to be made, in order for the Planned Development Stage to be reached, and the time frame in which such improvements are intended to be made; the Developer’s Development Plan, as of the date hereof, is described in the Official Statement under the caption [KB Home Sacramento: “PROPOSED PROPERTY DEVELOPMENT—Development Plan and Status of Development—KB HOME Sacramento”/Tri Pointe: “PROPOSED PROPERTY DEVELOPMENT—Development Plan and Status of Development—Tri Pointe.”]

“Disclosure Certificate” means this Disclosure Certificate as the same may be amended from time to time.

“Dissemination Agent” means initially, the Developer, and any successor Dissemination Agent designated in writing by the Developer and which has filed with the District a written acceptance of such designation.

“District” means City of Folsom Community Facilities District No. 23 (Folsom Ranch), as the same may be modified by the City Council of the City from time to time.

“Event of Bankruptcy” means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person’s debts or obligations, or offers to such Person’s creditors to effect a composition or extension of time to pay such Person’s debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person’s debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person’s creditors.

“Financing Plan” means, with respect to a Major Developer, the method by which such Major Developer intends to finance its Development Plan, including specific sources of funding for such Development Plan; the Developer’s Financing Plan, as of the date hereof, is described in the Official Statement under the caption [KB HOME Sacramento: “PROPOSED PROPERTY DEVELOPMENT – Development Plans of Finance – *KB HOME Sacramento Plan of Finance*”/Tri Pointe: “PROPOSED PROPERTY DEVELOPMENT – Development Plans of Finance – *Tri Pointe Plan of Finance*.”]

“Improvement Area” means Improvement Area No. 1 of the District.

“Listed Event” means any of the events listed in Section 5 hereof.

“Major Developer” means any property owner, which owns (itself or through Affiliates) Taxable Property that is responsible in the aggregate for 20% or more of the Special Taxes levied on all of the Taxable Property for the then current Fiscal Year.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission as a repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the final, executed Official Statement relating to the Bonds.

“Participating Underwriter” shall mean Piper Sandler & Co., the original underwriter of the Bonds.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Planned Development Stage” means, with respect to any portion of the Property, the stage of development at which such portion of the Property is ready to be presented to the marketplace as a finished residential unit.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semiannual Report” shall mean any Semiannual Report provided by the Developer on or prior to March 31 and September 30 of each year, commencing with the Semiannual Report due March 31, 2021, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Special Taxes” means the special taxes levied on the Taxable Property within the Improvement Area.

“State” shall mean the State of California.

“Taxable Property” means the real property within the boundaries of the Improvement Area that is not exempt from the Special Taxes authorized to be levied in the Improvement Area.

“Trust Agreement” means the Trust Agreement, dated as of May 1, 2022, among the Issuer, the District and the Trustee, and as further amended and supplemented from time to time.

“Trustee” means U.S. Bank Trust Company, National Association, as trustee under the Trust Agreement, or any successor as trustee.

SECTION 3. Provision of Semiannual Reports. So long as the Developer’s obligations hereunder have not been terminated pursuant to Section 7, the Developer shall provide to the MSRB and the District a Semiannual Report which is consistent with the requirements of Section 4, not later than March 31 and September 30 of each year, commencing September 30, 2022. If, in any year, March 31 or September 30 falls on a Saturday, Sunday or holiday, such deadline shall be extended to the next following business day. The Semiannual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Sections 4 or 5 hereof.

SECTION 4. Content of Semiannual Reports. The Developer’s Semiannual Report shall contain or incorporate by reference the following information:

(a) If information regarding such Major Developer has not previously been included in a Semiannual Report or in the Official Statement, the Development Plan and Financing Plan of such Major Developer or, if information regarding such Major Developer has previously been included in a Semiannual Report or in the Official Statement, a description of the progress made in the Development Plan of such Major Developer since the date of such information and a description of any significant changes in such Development Plan and the Financing Plan and the causes or rationale for such changes.

(b) Identification of the conveyance by the Developer of any portion of its Taxable Property that is responsible in the aggregate for 20% or more of the Special Taxes levied on all of the Taxable Property within the Improvement Area to an entity that is not an Affiliate since the Official Statement or a more recent Semiannual Report.

(c) The number of building permits issued with respect to such Major Developer's Taxable Property during the six-month period ending on December 31 and June 30 for the respective Semiannual Report date.

(d) The number of lots that have not reached the Planned Development Stage sold within the Taxable Property owned by the Developer since the date of the Official Statement or a more recent Semiannual Report, and, if any such lots were sold to a Major Developer, the identity of the Major Developer.

(e) The number of finished homes sold and conveyed to individual homeowners by the Developer in the Improvement Area during the six-month period ending on December 31 and June 30 for the respective Semiannual Report date.

(f) Any material amendments to land use entitlements for Taxable Property of the Developer, if such amendments would prevent or significantly delay the implementation of the Developer's Development Plan as described in the Official Statement or in any previous Semiannual Report.

The Developer's Semiannual Reports required to be provided under Section 4 hereof must be filed in accordance with Section 3.

SECTION 5. Reporting of Significant Events. Pursuant to the provisions of this Section 5, the Developer shall promptly give, or cause to be given, notice of the occurrence of any of the following events with respect to the Developer:

(a) Any failure of the Developer, or any Affiliate of the Developer, to pay by the date due general property taxes or assessments due with respect to its Taxable Property, to the extent such failure is not promptly cured by the Developer upon discovery thereof.

(b) Any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that could have a material adverse effect on the Developer's most recently disclosed Financing Plan or Development Plan or on the ability of the Developer, or any Affiliate of the Developer owning any Taxable Property, to pay any Special Taxes with respect to its Taxable Property when due.

(c) The occurrence of an Event of Bankruptcy with respect to the Developer, or any Affiliate, that could have a material adverse effect on the Developer's most recently disclosed Financing Plan or Development Plan or on the ability of the Developer, or any Affiliate of the Developer owning any Taxable Property, to pay Special Taxes with respect to its Taxable Property when due.

(d) Any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on the Developer's Taxable Property, if such preconditions would prevent or significantly delay the Developer's Development Plan as described in the Official Statement or in any previous Semiannual Report.

(e) Any previously undisclosed legislative, administrative or judicial challenges to development on the Developer's Taxable Property, if such challenges would prevent or significantly delay the Developer's Development Plan as described in the Official Statement or in any previous Semiannual Report.

Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall promptly report the occurrence of the Listed Event by filing a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Assumption of Obligations. If any portion of the Taxable Property owned by the Developer, or any Affiliate of the Developer, is conveyed such that, upon such conveyance, such new owner will be a Major Developer, the obligations of the Developer under this Disclosure Certificate with respect to the Taxable Property transferred by the Developer shall be assumed by such Major Developer pursuant to an Assumption Agreement.

SECTION 7. Termination of Reporting Obligation. All of the Developer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. The Developer's obligations under this Disclosure Certificate shall terminate upon the earliest to occur of (a) the date on which the Developer is no longer a Major Developer, as defined herein, or (b) the date on which all of the Developer's obligations are assumed under one or more Assumption Agreements entered into pursuant to Section 6 hereof, or (c) the date on which all Special Taxes levied on the Taxable Property owned by the Developer and its Affiliates are paid or prepaid in full. Upon the occurrence of any such termination prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5 hereof.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision hereof, the Developer may amend provisions of this Disclosure Certificate and any provision hereof may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5 hereof, it may be made in connection with a change in circumstances that arises from a change in legal requirements, change in law; and

(b) The proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of bond counsel approved by the District, materially impair the interests of the holders or beneficial owners of the Bonds.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

SECTION 10. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Developer. The Developer shall be responsible for paying the fees and expenses of the Dissemination Agent.

SECTION 11. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may

be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the Participating Underwriter, the District and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other Person.

SECTION 13. Notices. Any notices or communications to the Developer and the other parties described herein may be given as set forth in Exhibit A hereto or such other address that shall be specified by the Developer or the other parties described herein from time to time.

SECTION 14. Governing Law. This Disclosure Certificate and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Certificate as of the day and year written above.

[KB HOME Sacramento Inc./Tri Pointe Homes Holdings, Inc.]

By: _____
[]
[]

EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE – HOME BUILDER

Any notices or communications to the Developer or the other parties described in the Continuing Disclosure Certificate – Home Builder may be given as follows:

To the Developer: [KB HOME Sacramento Inc./Tri Pointe Homes Holdings, Inc.]
[_____

_____]

To the Issuer: _____

Attention: _____
Email: _____
Phone: _____

To the Dissemination Agent: _____

Attention: _____
Email: _____
Phone: _____

To the Participating Underwriter: _____

Attention: _____
Email: _____
Phone: _____

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Folsom Ranch Financing Authority
Folsom, California

Folsom Ranch Financing Authority
City of Folsom Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Special Tax Revenue Bonds, Series 2022
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Folsom Ranch Financing Authority (the “Issuer”) in connection with the issuance of \$_____ aggregate principal amount of Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and a trust agreement, dated as of May 1, 2022 (the “Trust Agreement”), among the Issuer, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Trust Agreement provides that the Bonds are issued for the stated purpose of enabling the Issuer to acquire certain local obligations to be issued by the Community Facilities District. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed and delivered by the Issuer, the Community Facilities District and the City of Folsom; opinions of counsel to the Issuer, the Community Facilities District and the Trustee; certificates of the Issuer, the Community Facilities District, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or

events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and community facilities districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _____, 2022, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in the Funds established pursuant to the Trust Agreement (except the Rebate Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F**DTC AND THE BOOK-ENTRY ONLY SYSTEM**

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority believes to be reliable, but the Authority does not take responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. (or such other DTC nominee) do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price, and interest payments with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority on a payable date in accordance with their respective holdings shown on DTC records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such

other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority deems reliable, but the Authority takes no responsibility for the accuracy thereof.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G
APPRAISAL

ATTACHMENT 6

**CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2022**

LOCAL OBLIGATION PURCHASE CONTRACT

[_____], 2022

City of Folsom
Community Facilities District No. 23
(Folsom Ranch)
City of Folsom, City Hall
50 Natoma Street
Folsom, California 95630

Ladies and Gentlemen:

The undersigned Folsom Ranch Financing Authority (the “Authority”) offers to enter into this Local Obligation Purchase Contract (the “Local Obligation Purchase Contract”) with you, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”), which, upon acceptance, will be binding upon the Community Facilities District and the Authority; and except as otherwise provided herein, all capitalized terms used herein shall have the meanings attributed to them in the Indenture, dated as of October 1, 2020 (the “Original Indenture”), as supplemented by the First Supplemental Indenture, dated as of May 1, 2022 (the “First Supplemental Indenture” and, together with the Original Indenture, the “Indenture”), each between the Community Facilities District and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”).

1. Purchase, Sale and Delivery of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations and agreements set forth herein, the Authority hereby agrees to purchase from the Community Facilities District, and the Community Facilities District hereby agrees to sell to the Authority, all (but not less than all) of the \$[_____] aggregate principal amount of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022 (the “Local Obligations”) issued under the Indenture, dated the date of their initial delivery, bearing interest payable on the dates and at the interest rates, and maturing on the dates and in the amounts and subject to the optional, extraordinary and mandatory redemption provisions, as set forth in Exhibit A attached hereto and incorporated herein.

The purchase price for the Local Obligations shall be \$[_____], which

purchase price shall be paid from the proceeds of sale of the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022, issued under the Trust Agreement, dated as of May 1, 2022, by and among the Authority, the Community Facilities District and U.S. Bank Trust Company, National Association, as trustee (the "Trust Agreement"), which bonds issued under the Trust Agreement are referred to herein as the "Authority Bonds."

The Local Obligations shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture.

(b) At 8:30 a.m., California time, on [_____], 2022, or at such earlier or later time or date as shall be agreed by the Community Facilities District and the Authority (such time and date being herein referred to as the "Closing Date"), the Community Facilities District will deliver to the Authority at the offices of Orrick, Herrington & Sutcliffe LLP, Sacramento, California (or such other location as may be designated by the Authority and approved by the Community Facilities District) the Local Obligations in definitive forms, duly executed by the Community Facilities District and authenticated by the Trustee, and will deliver to the Authority the other documents herein mentioned; and the Authority will accept such delivery and pay the total purchase price of the Local Obligations as set forth in paragraph (a) of this section as provided in the Indenture (such delivery and payment being herein referred to as the "Closing").

2. Representations and Agreements of the Community Facilities District.
The Community Facilities District represents to and agrees with the Authority that:

(a) The Community Facilities District is and will be at the Closing Date duly organized and existing as a community facilities district under and by virtue of the laws of the State of California, with full power and authority to issue the Local Obligations and to carry out and consummate the transactions contemplated by the Local Obligations, this Local Obligation Purchase Contract, the First Supplemental Indenture and the Trust Agreement (collectively, the "Financing Documents"), and the Financing Documents are and will be at the Closing Date valid and binding obligations of the Community Facilities District;

(b) When delivered to and paid for by the Authority at the Closing in accordance with the provisions of this Local Obligation Purchase Contract, the Local Obligations will have been duly authorized, executed, issued and delivered and will constitute valid and binding obligations of the Community Facilities District in conformity with, and entitled to the benefit and security of, the Indenture;

(c) By official action of the Community Facilities District, prior to or concurrently with the acceptance hereof, the Community Facilities District has authorized and approved the execution and delivery of the Financing Documents and the Original Indenture, and authorized and approved the performance by the Community Facilities District of the obligations on its part contained in the Financing Documents and the Original Indenture and has authorized and approved the consummation by the Community Facilities District of all other transactions contemplated by this Local Obligation Purchase Contract;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in

equity, before or by any court, governmental agency, public board or body, pending or, to the knowledge of the Community Facilities District, threatened against the Community Facilities District or its properties or operations (i) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Local Obligations, (ii) in any way contesting or affecting the validity or enforceability of any of the Financing Documents or the Original Indenture, any proceedings of the Community Facilities District taken concerning the issuance or sale of the Local Obligations, the collection of the special tax securing the Local Obligations (the “Special Tax”) or the existence or powers of the Community Facilities District relating to the issuance of the Local Obligations or (iii) which, if determined adversely to the Community Facilities District or its interests, would have a material and adverse effect on the consummation of the transactions contemplated by or the validity of the Financing Documents or the Original Indenture or on the operations of the Community Facilities District with respect to the Local Obligations;

(e) The execution and delivery of the Financing Documents and the delivery of the Original Indenture, and the consummation of the transactions therein and herein contemplated, and the fulfillment of or compliance with the terms and conditions thereof and hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Community Facilities District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Community Facilities District, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Financing Documents or the Original Indenture or the operations of the Community Facilities District with respect to the Local Obligations;

(f) The Community Facilities District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject, which breach or default may have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Financing Documents or the Original Indenture, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default under any such instrument;

(g) All approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or the failure to obtain which would materially adversely affect the performance by the Community Facilities District of its obligations under the Financing Documents or the Original Indenture have been duly obtained, and no further consent, approval, authorization or other action or filing with or by any governmental or regulatory authority having jurisdiction over the Community Facilities District is or will be required for the issue and sale of the Local Obligations or the consummation by the Community Facilities District of the other transactions described in the Financing Documents or

the Original Indenture;

(h) The Special Tax constituting the security for the Local Obligations has been duly and lawfully authorized under and pursuant to the Mello-Roos Community Facilities District Act of 1982 (the "Act") within Improvement Area No. 1 of the Community Facilities District (the "Improvement Area") and such Special Tax is secured by a valid and legally binding continuing lien on the land subject to the Special Tax as provided in the Act;

(i) The City Council, as legislative body of the Community Facilities District, has authorized and will annually levy and collect the Special Tax, in addition to amounts necessary to pay debt service on the Local Obligations, in an amount sufficient (subject to any maximum special tax permitted by law) to pay the Expenses arising directly from the administration or enforcement of the Local Obligations.

The execution and delivery of this Local Obligation Purchase Contract by the Community Facilities District shall constitute a representation by the Community Facilities District to the Authority that the representations and agreements contained in this Section 2 are true as of the date hereof; provided, that as to all matters of law the Community Facilities District is relying on the advice of counsel to the Community Facilities District; and provided further, that no member of the City Council, as legislative body of the Community Facilities District, shall be individually liable for the breach of any representation, warranty or agreement contained herein.

3. Conditions to the Purchase of the Local Obligations by the Authority. The obligation of the Authority to accept delivery of and pay for the Local Obligations on the Closing Date shall be subject, at the option of the Authority, to (i) the accuracy in all material respects of the representations and agreements on the part of the Community Facilities District contained herein as of the date hereof and as of the Closing Date, (ii) the accuracy in all material respects of the statements of the officers and other officials of the City for and on behalf of the Community Facilities District made in any certificates or other documents, furnished pursuant to the provisions hereof, and (iii) the performance by the Community Facilities District of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the Financing Documents and the Original Indenture shall be in full force and effect in the form heretofore submitted to the Authority and there shall have been taken in connection with the issuance of the Local Obligations and with the transactions contemplated thereby and by this Local Obligation Purchase Contract, all such actions as, in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), shall be necessary and appropriate;

(b) At the Closing Date, the Financing Documents and the Original Indenture shall not have been amended, modified or supplemented, except as may have been agreed to by the Authority;

(c) At or prior to the Closing Date, the Authority and the Trustee shall have received the following documents, in each case satisfactory in form and substance to the Authority:

(1) An executed copy of each of the Financing Documents and a copy of the Original Indenture;

(2) An unqualified approving opinion of Bond Counsel, dated the Closing Date and addressed to the Community Facilities District, as to the validity of the Local Obligations;

(3) An opinion of the City Attorney, dated the Closing Date and addressed to the Community Facilities District and the Authority, in substantially the form attached hereto as Exhibit B; and

(4) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Authority or Bond Counsel may reasonably request to evidence compliance by the Community Facilities District with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Community Facilities District contained herein, and the due performance or satisfaction by the Community Facilities District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Community Facilities District.

If the Community Facilities District shall be unable to satisfy the conditions to the Authority's obligations contained in this Local Obligation Purchase Contract, this Local Obligation Purchase Contract shall terminate and neither the Authority nor the Community Facilities District shall have any further obligation hereunder.

4. Expenses. All expenses and costs of the Community Facilities District and the Authority incident to the authorization, issuance and sale of the Local Obligations and the Authority Bonds, including fees and expenses of consultants, the Trustee, the appraiser, Bond Counsel and counsel for the Community Facilities District and the underwriting fees and expenses incurred by the Authority in connection with the sale of the Authority Bonds shall be paid by the Community Facilities District or the City on its behalf, and the Community Facilities District agrees that it will pay such expenses and costs from the proceeds of the Local Obligations.

5. Notices. Any notice or other communication to be given to the Community Facilities District under this Local Obligation Purchase Contract may be given by delivering the same in writing at the Community Facilities District's address set forth above, Attention: Finance Director, and any such notice or other communications required to be given to the Authority may be given by delivering the same in writing to the Authority at 50 Natoma Street, Folsom, California 95630, Attention: Treasurer. The approval of the Authority when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Authority and delivered to the Community Facilities District.

6. Parties In Interest; Governing Law. This Local Obligation Purchase Contract is made solely for the benefit of the Community Facilities District, the Authority and the Trustee and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Local Obligation Purchase Contract shall be governed by the laws of the State of California.

7. Pledge; Assignment. The Community Facilities District hereby approves the pledge and assignment of all the Authority's right, title and interest in the Local Obligations to the Trustee under the Indenture for the benefit of the owners of the Authority Bonds.

8. Limitation on Liability. The Authority shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereby, and shall be under no obligation to purchase the Local Obligations hereunder, except from proceeds of the Authority Bonds available therefor held by the Trustee under, and subject to the conditions set forth in, the Indenture. The Community Facilities District shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereunder, except as otherwise provided in Sections 4 and 5 hereof, or be obligated to make any payments with respect to the Local Obligations, except from amounts pledged to the payment of the Local Obligations (including the Special Tax levied and collected in the Improvement Area) pursuant to the terms thereof.

9. Counterparts. This Local Obligation Purchase Contract may be signed in two or more counterparts; all such counterparts, when signed by all parties, shall constitute but one single agreement.

FOLSOM RANCH FINANCING AUTHORITY

By _____
Stacey Tamagni
Treasurer

ACCEPTED AND AGREED TO:

**CITY OF FOLSOM
COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By _____
Stacey Tamagni
Finance Director of the City of Folsom

Exhibit A**Local Obligations Maturity Schedule and Redemption Provisions**Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>September 1</u>	\$	%

* Term Bonds

Redemption Provisions

Extraordinary Redemption. The Local Obligations are subject to extraordinary redemption by the Community Facilities District prior to their respective maturity dates, as a whole or in part on any interest payment date on or after September 1, 20[___], from funds derived by the Community Facilities District from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Local Obligations or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption, to wit:

103% if redeemed on an interest payment date on or after September 1, 20[___] through March 1, 20[___];

102% if redeemed on an interest payment date on September 1, 20[___] or March 1, 20[___];

101% if redeemed on an interest payment date on September 1, 20[___] or March 1, 20[___]; and

100% if redeemed on September 1, 20[___] or any interest payment date thereafter.

Optional Redemption. The Local Obligations are subject to optional redemption by the Community Facilities District prior to their respective maturity dates as a whole or in part on any date on or after September 1, 20[], from funds derived by the Community Facilities District from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount or such prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Local Obligations or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or after September 1, 20[] through August 31, 20[];

102% if redeemed on any date from September 1, 20[] through August 31, 20[];

101% if redeemed on any date from September 1, 20[] through August 31, 20[]; and

100% if redeemed on September 1, 20[] and any date thereafter.

Mandatory Sinking Fund Account Redemption of the Local Obligations. The Local Obligations maturing on September 1, 20[], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[] through 20[], both years inclusive; and the Local Obligations maturing on September 1, 20[], are subject to mandatory redemption by the Community Facilities District prior to their maturity date in part on September 1 in each of the years 20[] through 20[], both years inclusive, in each case solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Subaccount, upon mailed notice as provided in the Indenture, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption.

Minimum Sinking Fund Account Payments are established for the mandatory redemption and payment of the Local Obligations described in the paragraph above, which payments shall become due during the years ending on the dates and in the amounts as set forth in the following schedules (except that if any of the Local Obligations shall have been optionally redeemed or redeemed from property owner prepayments, the amounts of the Minimum Sinking Fund Account Payments shall be reduced proportionately by the principal amount of all such Local Obligations so redeemed), namely:

Local Obligation Maturing September 1, 20[]

<u>Year</u> <u>Ending</u> <u>September 1</u>	<u>Minimum</u> <u>Sinking Fund</u> <u>Account Payment</u> \$
--	---

*

* Maturity.

Local Obligation Maturing September 1, 20[]

<u>Year</u> <u>Ending</u> <u>September 1</u>	<u>Minimum</u> <u>Sinking Fund</u> <u>Account Payment</u> \$
--	---

*

* Maturity.

Exhibit B

[Form of City Attorney Opinion]

[Closing Date]

Folsom Ranch Financing Authority
Folsom, California

City of Folsom
Community Facilities District No. 23
(Folsom Ranch)
Folsom, California

Piper Sandler & Co.
Sacramento, California

U.S. Bank Trust Company, National Association
Los Angeles, California

City of Folsom Community Facilities District No. 23
(Folsom Ranch) Improvement Area No. 1
Special Tax Bonds, Series 2022

Ladies and Gentlemen:

I have served as counsel to the City of Folsom (the “City”) in connection with the issuance, sale and delivery of the above-referenced securities (collectively, the “Local Obligations”) by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”), and this letter is being delivered pursuant to the Local Obligation Purchase Contract dated as of [____], 2022 (the “Local Obligation Purchase Contract”) by and between the Folsom Ranch Financing Authority (the “Authority”) and the Community Facilities District, and all capitalized terms not otherwise defined herein have the meanings ascribed thereto in the Local Obligation Purchase Contract.

As such counsel, I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Community Facilities District, including Resolution No. 10435, duly adopted by the City on May 26, 2020, establishing the Community Facilities District and designating various improvement areas therein, including Improvement Area No. 1 (the “Improvement Area”); (ii) Resolution No. [____] of the City Council approving the issuance of the Local Obligations, the issuance of the Authority Bonds, the Financing Documents and the Official Statement (such resolutions referenced in (i) and (ii), together the “Resolutions”); (iii) all necessary documentation of the Community Facilities District relating to the authorization, execution and delivery of the Local Obligations and all of the Financing Documents; (iv) the Official Statement, dated [____], 2022 (the “Official Statement”) relating to the Authority Bonds; and (v) the Continuing Disclosure Certificate of the Community Facilities District, dated the date hereof (the “Continuing Disclosure Certificate”)

relating to the Authority Bonds.

Based on the foregoing, I am of the opinion that:

1. The Community Facilities District is a community facilities district duly organized and existing pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

2. The Resolutions have been duly adopted at meetings of the City Council, acting as the legislative body of the Community Facilities District, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions are in full force and effect and have not been modified, amended, rescinded or repealed since the date of their respective adoption.

3. The Community Facilities District has the full legal right, power and authority to execute, deliver and perform its obligations and duties under the Financing Documents, the Original Indenture and the Continuing Disclosure Certificate, including the right and power under the Act to execute the Indenture.

4. The Community Facilities District has complied with the provisions of applicable law in all matters relating to the transactions contemplated by the Financing Documents, the Original Indenture and the Continuing Disclosure Certificate, and the Original Indenture is in full force and effect.

5. The Financing Documents; the Original Indenture; the Continuing Disclosure Certificate; the Letter of Representations of the Community Facilities District, dated [____], 2022 (the "Community Facilities District Letter of Representations" and, together with the Financing Documents, the Original Indenture and the Continuing Disclosure Certificate, the "Community Facilities District Documents") and the Official Statement have each been duly and lawfully authorized, executed and delivered by the Community Facilities District, are each in full force and effect and, assuming due authorization, execution and delivery by the other parties thereto, each constitutes a legal, valid and binding agreement of the Community Facilities District enforceable against it in accordance with its terms, subject to laws relating to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against community facilities districts in the State of California.

6. The First Supplemental Indenture and the Local Obligations have been duly and validly authorized, sold, executed, authenticated and delivered, as applicable, in accordance with the Act and with the Indenture.

7. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Community Facilities District of the Financing Documents or the Continuing Disclosure Certificate or the performance by the Community Facilities District of its respective obligations thereunder or

under the Original Indenture.

8. The execution and delivery of the Financing Documents and the Continuing Disclosure Certificate by the Community Facilities District, and compliance with the provisions thereof and with the provisions of the Original Indenture, will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Community Facilities District, or any commitment, agreement or other instrument to which the Community Facilities District is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, resolution, judgment, order or decree to which the Community Facilities District (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Community Facilities District and its affairs.

9. The Local Obligations are valid and binding special tax obligations of the Community Facilities District payable from proceeds of the Special Tax and the other funds provided in the Indenture for such payment and are enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles where equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against community facilities districts in the State of California, and the terms of the Act and of the Indenture;

10. Based upon my review of the Official Statement, and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to my attention which would lead me to believe that the Official Statement (excluding therefrom the financial statements and the statistical data and the information concerning The Depository Trust Company, the book-entry system and the appendices thereto, as to which no opinion is expressed) as of its date and the date hereof contained or contains any untrue statement of a material fact with respect to the Community Facilities District or omitted or omits to state any material fact with respect to the Community Facilities District necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

11. Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City or the Community Facilities District) or, to my knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the Community Facilities District, or the titles of their members and officers to their respective offices; or (b) affect the validity of the Community Facilities District Documents or restrain or enjoin the repayment of the Local Obligations or in any way contest or affect the validity of the Community Facilities District Documents or contest the authority of the Community Facilities District to enter into or perform its obligations under any of the Community Facilities District Documents or under which a determination adverse to the City or the Community Facilities District would have a material adverse effect upon the financial condition or the revenues of the City or the Community Facilities District, questions the right of the Community Facilities District to use the Special Tax levied within the Improvement Area for the repayment of the Local Obligations or affects in any manner the right or ability of

the Community Facilities District to collect or pledge the Special Tax levied within the Improvement Area for the repayment of the Local Obligations.

Very truly yours,

City Attorney

ATTACHMENT 7

§ _____
FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022

BOND PURCHASE AGREEMENT

_____, 2022

Folsom Ranch Financing Authority
 50 Natoma Street,
 Folsom, California 95630

Ladies and Gentlemen:

Piper Sandler & Co., as underwriter (the “**Underwriter**”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Folsom Ranch Financing Authority (the “**Authority**”), which upon acceptance will be binding upon the Underwriter and the Authority. The agreement of the Underwriter to purchase the Bonds (as hereinafter defined) is contingent upon the Authority purchasing from the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**Community Facilities District**”) the Community Facilities District’s Improvement Area No. 1 Special Tax Bonds, Series 2022 (the “**Special Tax Bonds**”) in the aggregate principal amount of \$_____, and upon the Authority and the Community Facilities District satisfying all of the obligations imposed upon them under this Purchase Agreement. This offer is made subject to the Authority’s acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Trust Agreement, dated as of May 1, 2022 (the “**Trust Agreement**”), by and among the Authority, U.S. Bank Trust Company National Association, as trustee (the “**Trustee**”) and the Community Facilities District. The Special Tax Bonds are being issued pursuant to an Indenture dated as of October 1, 2020, as supplemented by a First Supplemental Indenture dated as of May 1, 2022 (collectively, the “**District Indenture**”), each by and between the Community Facilities District and U.S. Bank Trust Company National Association, as trustee (the “**District Trustee**”).

1. Purchase, Sale and Delivery of the Bonds.

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of the \$_____ aggregate principal amount of the Folsom Ranch Financing Authority City of Folsom Community

Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$ _____ (being 100% of the aggregate principal amount thereof [plus/less] [net] original issue [premium/discount] of \$ _____ and less an Underwriter’s discount of \$ _____). From the proceeds of the Bonds, the Authority agrees to purchase the Special Tax Bonds from the Community Facilities District pursuant to the terms of the Local Obligation Purchase Contract (the “**Local Obligation Purchase Contract**”), dated _____, 2022, by and between the Community Facilities District and the Authority.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Revenues as provided in the Trust Agreement, the Official Statement (as hereinafter defined), and the Marks-Roos Local Bond Pooling Act of 1985, as amended, being Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “**Bond Law**”). The issuance of the Bonds has been duly authorized by the Authority pursuant to Resolution No. _____-Folsom Ranch FA (the “**Authority Resolution**”) adopted by the Governing Board on April 12, 2022. The net proceeds of the Bonds will be used to purchase the Special Tax Bonds.

The Special Tax Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from Special Tax (as defined in the District Indenture) on a parity with the City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2020 (the “**2020 Special Tax Bonds**”), as provided in the District Indenture.

The Special Tax Bonds are issued under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “**Community Facilities District Act**”). The issuance of the Special Tax Bonds, the preparation and distribution of the Preliminary Official Statement and the Local Obligation Purchase Contract have been duly authorized by the City Council of the City of Folsom (the “**City Council**”) acting as the legislative body for the Community Facilities District, pursuant to Resolution No. _____ (the “**Community Facilities District Resolution**”). The net proceeds of the Special Tax Bonds will be used, as indicated in the District Indenture, for the following purposes: (1) finance the acquisition and construction of certain public facilities; (2) fund a debt service reserve account; (3) fund capitalized interest to September 1, 2022; and (4) pay certain costs of issuance of the Bonds and the Special Tax Bonds.

Prior to the acceptance of this Purchase Agreement by the Authority, the Authority shall have caused to be delivered to the Underwriter: (i) the Letter of Representations of the Community Facilities District (the “**District Letter of Representations**”) in substantially the form set forth in Exhibit B hereto; (ii) a Letter of Representations (the “**ECIC Letter of Representations**”) of East Carpenter Improvement Company, LLC (“**ECIC**”) in substantially the form set forth in Exhibit C hereto; (iii) a Letter of Representations (the “**CMB Letter of Representations**”) of CMB Improvement Company, LLC (“**CMB**”) in substantially the form set forth in Exhibit D hereto; (iv) a letter of representations of each of KB HOME Sacramento Inc. (“**KB HOME**”), Tri Pointe Homes IE-SD, Inc. (“**Tri Pointe**”), Lennar Homes of California, LLC (“**Lennar Homes**”), Beazer Homes Holdings, LLC (“**Beazer**”) , FR 68 Lots LLC (“**FR 68 Lots**”), and Signature Homes, Inc. (“**Signature Homes**” and, together with KB HOME, Tri Pointe, Lennar Homes, Beazer and FR 68 Lots, the “**Merchant Builders**”) in the form set forth in Exhibit H hereto.

A. The Authority acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations and agreements made by the Authority herein and by the Community Facilities District in the District Letter of Representations, and the Authority shall take all action necessary to enforce its rights hereunder for the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation or agreement made by the Authority herein is incorrect in any material respect.

The Authority acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority, the Community Facilities District or the City of Folsom (the "City") with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority, the Community Facilities District or the City on other matters); and (iv) the Authority, the Community Facilities District and the City have consulted their own legal, financial and other advisors to the extent that they have deemed appropriate.

B. Pursuant to the authorization of the Authority, the Underwriter has distributed copies of the Preliminary Official Statement dated _____, 2022, relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "**Preliminary Official Statement**." By its acceptance of this Purchase Agreement, the Authority hereby ratifies the use by the Underwriter of the Preliminary Official Statement, and the Authority agrees to execute a final official statement relating to the Bonds (including any supplements and/or amendments thereto, the "**Official Statement**") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Orrick Herrington & Sutcliffe LLP, the Community Facilities District's and the Authority's Bond Counsel ("**Bond Counsel**") and Disclosure Counsel ("**Disclosure Counsel**"), and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 3.N hereof. The Authority hereby authorizes the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The Authority further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Trust Agreement, the District Indenture, this Purchase Agreement, the Local Obligation Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the Authority, the Community Facilities District or the City to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

C. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"), the Community Facilities District will undertake for and on behalf of the Authority pursuant to the Continuing Disclosure Certificate, in the form attached to the Official Statement as Appendix D (the "**Continuing Disclosure Certificate**"), to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

D. Except as the Underwriter and the Authority may otherwise agree, the Authority will deliver to the Underwriter, at the offices of Bond Counsel in Sacramento, California,

or at such other location as may be mutually agreed upon by the Underwriter, the Community Facilities District and the Authority, the documents hereinafter mentioned; and the Authority will deliver to the Underwriter through the facilities of The Depository Trust Company (“DTC”) in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the Authority and authenticated by the Trustee in the manner provided for in the Trust Agreement and the Bond Law at 8:00 a.m. California time, on May __, 2022 (the “Closing Date”), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in the first paragraph of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the “Closing”). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

2. Public Offering and Establishment of Issue Price.

A. The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial offering prices.

B. The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit J, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”) and any notice or report to be provided to the Authority may be provided to the Municipal Advisor.

C. Except as otherwise set forth in Exhibit A, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of the Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

D. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test

has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or
2. the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

E. The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to: (1) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public; and (2) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

F. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

1. “**public**” means any person other than an underwriter or a related party;
2. “**underwriter**” means: (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to

a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

3. a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “**sale date**” means the date of execution of this Purchase Agreement by all parties.

3. Representations and Covenants of the Authority. The Authority represents and covenants to the Underwriter that:

A. The Authority is a joint exercise of powers authority, duly organized and existing under the Constitution and laws of the State of California (the “**State**”), and formed pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code (the “**JPA Act**”), with full right, power and authority: (i) to enter into this Purchase Agreement; (ii) to enter into the Trust Agreement; (iii) to adopt the Authority Resolution authorizing the issuance of the Bonds and entry into this Purchase Agreement and the Trust Agreement and to take all other actions on the part of the Authority relating thereto (the “**Authority Proceedings**”); (iv) to issue, sell and deliver the Bonds to the Underwriter as provided herein; (v) to purchase the Special Tax Bonds; and (vi) to carry out and consummate the transactions on its part contemplated by this Purchase Agreement, the Trust Agreement and the Official Statement.

The Trust Agreement, the Bonds, the Local Obligation Purchase Contract and this Purchase Agreement are collectively referred to herein as the “**Authority Documents.**”

B. By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery by the Authority of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents, and has approved the use by the Underwriter of the Preliminary Official Statement and the Official Statement and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties thereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The Authority has complied, and will at the Closing Date be in compliance in all respects, with the terms of the Authority Documents that are applicable to the Authority.

C. The information in the Preliminary Official Statement and in the Official Statement relating to the Authority and the Bonds (other than statements pertaining to the book-entry

system, as to which no view is expressed), does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (D) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

D. Up to and including 25 days after the End of the Underwriting Period (as defined below), the Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term “**End of the Underwriting Period**” means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be a written notice delivered to the Authority and the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “End of the Underwriting Period.”

E. As of the time of acceptance hereof and as of the Closing Date, except as otherwise disclosed in the Official Statement, the Authority is not, and as of the Closing Date, will not be, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject; and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; which breach, default or event could have an adverse effect on the Authority’s ability to perform its obligations under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance by the Authority with the provisions of each of such agreements or instruments does not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

F. At the time of acceptance hereof there is, and as of the Closing Date, there will be no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an “**Action**”) pending (notice of which has been served on the Authority) or to the knowledge of the Authority threatened, in which any such Action: (i) in any way questions the corporate existence of the Authority or the

titles of the officers of the Authority to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Revenues (as defined in the Trust Agreement) or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the Authority Documents or the consummation of the transactions on the part of the Authority contemplated thereby; (iii) contests the exclusion of the interest on the Bonds from federal or state income taxation or contests the powers of the Authority which may result in any material adverse change relating to the financial condition of the Authority; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and, as of the time of acceptance hereof, there is, and as of the Closing Date, there will be no known basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

G. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter and at the expense of the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds, provided; however, that the Authority will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

H. The Authority Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement. The Authority represents that the Bonds, when issued, executed and delivered in accordance with the Trust Agreement and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Trust Agreement. The Trust Agreement creates a valid pledge of the moneys in certain funds and accounts established pursuant to the Trust Agreement, subject in all cases to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

I. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

J. Any certificate signed by any authorized officer of the Authority and delivered to the Underwriter in connection with the issuance and sale of the Bonds shall be deemed to be a representation and covenant by the Authority to the Underwriter as to the statements made therein.

K. The Authority will apply the proceeds of the Bonds in accordance with the Trust Agreement.

L. Between the date of this Purchase Agreement and the Closing Date, the Authority will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed to the Underwriter.

M. Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the Authority will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Trust Agreement.

N. The Preliminary Official Statement was deemed final by a duly authorized officer of the Authority prior to its delivery to the Underwriter, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of the Rule. The Authority hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Authority shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of the Rule and Rules G-12, G-15, G-32 and G-36 of the Municipal Securities Rulemaking Board.

The Authority hereby approves the preparation and distribution of the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Bond Counsel, Disclosure Counsel and the Underwriter, from time to time prior to the Closing Date.

The Authority hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, this Purchase Agreement and all information contained herein, and all other documents, certificates and written statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

The execution and delivery of this Purchase Agreement by the Authority shall constitute a representation to the Underwriter that the representations contained in this Section 3 are true as of the date hereof.

4. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations on the part of the Authority contained herein and of the Community Facilities District in the District Letter of Representations, to the accuracy in all material respects of the statements of the officers and other officials of the Authority made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date and, to the following additional conditions:

A. At the Closing Date, the Authority Resolution, the Community Facilities District Resolution, the Authority Documents and this Purchase Agreement, the District Indenture, the Local Obligation Purchase Contract, the Special Tax Bonds, the District Letter of Representations and the Continuing Disclosure Certificate shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the

Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the Special Tax Bonds, and with the transactions contemplated thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate. The Trust Agreement, the District Indenture, the Local Obligation Purchase Contract, the Special Tax Bonds, the District Letter of Representations and the Continuing Disclosure Certificate are herein referred to collectively as the "District Documents."

B. At the Closing Date, except as was described in the Preliminary Official Statement, the Authority shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, and the performance by the Authority of its obligations under the Authority Documents, the Authority Resolution and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the Authority of its obligations under the Authority Documents or the Authority Resolution.

C. At the Closing Date, except as described in the Official Statement, the Community Facilities District shall not be, in any respect material to the transactions referred to in the District Letter of Representations or contemplated therein, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, and the performance by the Community Facilities District of its obligations under the Community Facilities District Resolution, the District Documents, and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed hereunder, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the Community Facilities District of its obligations under the Community Facilities District Resolution and the District Documents or the performance of the conditions precedent to be performed by the Community Facilities District under the Community Facilities District Resolution and the District Documents.

D. The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto, contain any untrue statement of a material fact or omit to state a material fact

required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

E. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the cover page of the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds or the Special Tax Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Trust Agreement or the District Indenture are not exempt from qualification under or other requirements of the Trust Agreement Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds or the Special Tax Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

3. A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

4. The introduction, proposal or enactment of any amendment to the Federal or California Constitution or any action by any Federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Bonds, the Authority or the Community Facilities District, their property, income, securities (or interest thereon), the validity or enforceability of the Special Tax, or the ability of the Authority to purchase any Special Tax Bonds as contemplated by the Official Statement;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the

Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds, the Special Tax Bonds or obligations of the general character of the Bonds or the Special Tax Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred any material outbreak or escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it impracticable, in the judgment of the Underwriter, following consultation with the Authority, to sell the Bonds;

8. The filing or threat of an Action described Section 3.F hereof or Section M of the District Letter of Representations; or

9. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City or the Authority.

F. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the Authority by its Treasurer or other authorized officer;

2. The Authority Documents, duly executed and delivered by all parties thereto;

3. The Authority Resolution, together with a certificate of the Secretary of the Authority, dated as of the Closing Date, to the effect that such resolution is a true, correct and complete copy of the resolution duly adopted by the Governing Board of the Authority;

4. The Community Facilities District Resolution, together with a certificate dated as of the Closing Date of the City Clerk, acting on behalf of the Community Facilities District to the effect that the Community Facilities District Resolution is a true, correct and complete copy of the one duly adopted by the City Council, acting as the legislative body of the Community Facilities District;

5. The District Documents duly executed and delivered by all parties thereto;

6. An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the Authority, of Bond Counsel, in substantially the form included as Appendix E to the Official Statement, together with a letter addressed to the Trustee to the effect that such opinion may be relied upon by the Trustee to the same extent as if such opinion was addressed to the Trustee;

7. A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, in substantially the form attached hereto as Exhibit G;

8. A certificate, dated the Closing Date and signed by the Treasurer of the Authority or other authorized officer, to the effect that: (i) the representations of the Authority contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Authority Documents and the Authority Resolution at or prior to the Closing Date;

9. A certificate dated the Closing Date and signed by an authorized representative of the Community Facilities District or an authorized designee, on behalf of the Community Facilities District to the effect that: (i) the representations made by the Community Facilities District contained in the District Letter of Representations are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, provided that any references as to the Preliminary Official Statement shall be deemed to be to the Official Statement; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Community Facilities District has complied with all the agreements and satisfied all the conditions on its part to be satisfied under the District Documents prior to the Closing Date;

10. An opinion of the City Attorney of the City, as counsel to the Authority, dated the date of Closing and addressed to the Underwriter, the Authority, the Community Facilities District, the Trustee and the District Trustee, to the effect that:

(i) The Authority is a public body, corporate and politic, duly organized and validly existing as a joint powers authority under the laws of the State of California;

(ii) The Authority has full legal power and lawful authority to enter into the Authority Documents and to carry out the transactions contemplated under the Authority Documents;

(iii) The Authority Resolution was duly adopted at a regular meeting of the governing body of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(iv) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the

application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(v) To the best knowledge of such counsel, the execution and delivery of the Authority Documents and the Official Statement and compliance with the provisions thereof under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the Authority a violation, breach of or default under any court order or consent decree to which the Authority is subject;

(vi) The Authority Documents and the Official Statement have been duly authorized by the Governing Board of the Authority and executed on its behalf by an authorized officer of the Authority;

(vii) Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the Authority) or, to the City Attorney's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the Authority, or the titles of its members and officers to their respective offices; (b) enjoin or restrain the issuance, sale and delivery of the Bonds, the collection of the Revenues or the pledge thereof; (c) in any way question or affect any of the rights, powers, duties or obligations of the Authority with respect to the Revenues or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds; (d) in any way question or affect any authority for the issuance of the Bonds, or the validity or enforceability of the Bonds; or (e) in any way question or affect the Authority Documents or the transactions contemplated by the Authority Documents, the Official Statement, or any activity regarding the Bonds;

11. An opinion of the City Attorney of the City, dated the date of Closing and addressed to the Underwriter, the Authority, the Community Facilities District, the Trustee and the District Trustee to the effect that:

(i) The Community Facilities District is a community facilities district organized and existing pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California;

(ii) The Community Facilities District Resolution has been duly adopted at a meeting of the City Council, acting as the legislative body of the Community Facilities District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Community Facilities District Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(iii) The District Documents and the Official Statement have been duly and lawfully authorized, executed and delivered by the Community Facilities District and the District Documents constitute the legal, valid and binding obligations of the Community Facilities District enforceable against the Community Facilities District in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and

other similar laws relating to or affecting creditors' rights, to the application of equitable principles where equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against community facilities districts in the State of California;

(iv) The Community Facilities District has the right and power under the Community Facilities District Act to execute the District Indenture and no other authorization for the execution thereof is required, and the District Indenture is in full force and effect;

(v) The Special Tax Bonds are valid and binding special tax obligations of the Community Facilities District payable from proceeds of the Special Tax and the other funds provided in the District Indenture for such payment and are enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles where equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against community facilities districts in the State of California, and the terms of the Community Facilities District Act and of the District Indenture;

(vi) The District Indenture and the Special Tax Bonds have been duly and validly authorized, sold, executed, authenticated and delivered in accordance with the Community Facilities District Act and with the District Indenture;

(vii) Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City or the Community Facilities District) or, to such counsel's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the Community Facilities District, or the titles of its members and officers to their respective offices; or (b) affect the validity of the District Documents or restrain or enjoin the repayment of the Special Tax Bonds or in any way contest or affect the validity of the District Documents or contest the authority of the Community Facilities District to enter into or perform its obligations under any of the District Documents or under which a determination adverse to the City or the Community Facilities District would have a material adverse affect upon the financial condition or the revenues of the City or the Community Facilities District, questions the right of the Community Facilities District to use the Special Tax levied within the Improvement Area for the repayment of the Special Tax Bonds or affects in any manner the right or ability of the Community Facilities District to collect or pledge the Special Tax levied within the Improvement Area for the repayment of the Special Tax Bonds;

12. A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds and the Special Tax Bonds, including certified copies of the Trust Agreement, the District Indenture and all resolutions of the City and the Authority relating thereto;

13. A certificate dated the Closing Date from NBS addressed to the Authority, the Community Facilities District and the Underwriter to the effect that: (i) the Special Tax (after payment of Priority Administrative Expenses) if collected in the maximum amounts permitted pursuant to the Rate and Method of Apportionment of Special Taxes would generate at least 110% of the annual debt service payable with respect to the Special Tax Bonds in each year, based on such assumptions and qualifications as shall be acceptable to the Underwriter; and (ii) the

statements in the Official Statement provided by NBS concerning the Special Tax and the Rate and Method of Apportionment of the Special Taxes and all information supplied by it for use in the Official Statement as of the date of the Official Statement and as of the Closing Date did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

14. Certified copies of the general resolution of the Trustee and District Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee and District Trustee, which resolution authorizes the execution of the Trust Agreement, the District Indenture and the authentication of the Bonds and the Special Tax Bonds;

15. A certificate of the Trustee, addressed to the Underwriter, the Authority and the Community Facilities District dated the Closing Date, to the effect that: (i) the Trustee is authorized to carry out corporate trust powers, and have full power and authority to perform their respective duties under the Trust Agreement and the District Indenture; (ii) the Trustee is duly authorized to execute and deliver the Trust Agreement and the District Indenture, to accept the obligations created by the Trust Agreement and the District Indenture and to authenticate the Bonds and the Special Tax Bonds pursuant to the terms of the Trust Agreement and the District Indenture, respectively; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Bonds or the Special Tax Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Bonds and the Special Tax Bonds and the acceptance and performance of the obligations created by the Trust Agreement and the District Indenture; and (iv) to the best of its knowledge, compliance with the terms of the Trust Agreement and the District Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, trust agreement, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties;

16. An opinion of counsel to the Trustee, dated the Closing Date, addressed to the Underwriter, the Authority and the Community Facilities District to the effect that the Trustee is a national banking association duly organized and validly existing under the laws of the United States having full power and being qualified to enter into, accept and agree to the provisions of the Trust Agreement and the District Indenture, and that each of such documents has been duly authorized, executed and delivered by the Trustee and, assuming due execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

17. A certificate of the Authority dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

18. An opinion of Stradling Yocca Carlson & Rauth, counsel to the Underwriter (“**Underwriter’s Counsel**”), dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the Underwriter;

19. A certificate of ECIC dated the Closing Date, substantially in the form attached as Exhibit D hereto;

20. A certificate of CMB dated the Closing Date, substantially in the form attached as Exhibit F hereto;

21. A certificate of each of the Merchant Builders dated the Closing Date, substantially in the form attached as part of Exhibit H hereto.

22. Opinions of counsel to each of KB HOME and Tri Pointe, dated the Closing Date and addressed to the Authority and the Underwriter, that contain the opinions attached hereto as Exhibit I.

23. Continuing disclosure certificates of each of KB HOME and Tri Pointe in the form attached as Appendix D to the Official Statement.

24. A certificate of the Appraiser, substantially in the form attached hereto as Exhibit K;

25. A certificate of an Independent Consultant (as defined in the District Indenture) showing compliance with the terms of the District Indenture for the issuance of the Special Tax Bonds as Additional Bonds under the District Indenture; and

26. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations of the Authority contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the Community Facilities District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Community Facilities District and the Authority in connection with the transactions contemplated hereby and by the District Indenture, the Trust Agreement, and the Official Statement.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Authority nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter and the Authority set forth in Section 6 hereof shall continue in full force and effect.

5. Conditions to the Obligations of the Authority.

A. The obligations of the Authority shall be subject to the satisfaction of the conditions contained in Section 4 of this Purchase Agreement.

B. If the Authority shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Special Tax Bonds contained in the Local Obligation Purchase Contract, or if the obligations of the Authority to purchase, accept delivery of and pay for the Special Tax Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Authority nor the Community Facilities District shall be under any further obligation hereunder, except that the obligations of the Authority set forth in Section 6 hereof shall continue in full force and effect.

6. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the Authority shall pay only from the proceeds of the Bonds, or cause the Community Facilities District to pay out of the proceeds of the Special Tax Bonds or any other legally available funds of the City, the Community Facilities District or the Authority, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriter, including, without limitation, printing costs, initial fees of the Trustee, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, Disclosure Counsel and other professional advisors employed by the Authority, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriter on behalf of the Authority's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including fees of its counsel.

7. Notices. Any notice of other communication to be given to the City or the Authority under this Purchase Agreement may be given by delivering the same in writing to the City of Folsom, 50 Natoma Street, Folsom, CA, 95630, Attention: Finance Director; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co, 3626 Fair Oaks Blvd., Suite 100, Sacramento, California 95864, Attention: Dennis McGuire.

8. Parties In Interest. This Purchase Agreement is made solely for the benefit of the Authority and Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

9. Survival of Representations. The representations of the Authority under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Authority and regardless of delivery of and payment for the Bonds.

10. Execution in Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

11. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

12. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the Authority.

13. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

14. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

PIPER SANDLER & CO.

By: _____
Its: Authorized Officer

FOLSOM RANCH FINANCING
AUTHORITY

By: _____
Its: Treasurer

EXHIBIT A

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

Schedule of Bond Maturities, Principal Amounts, Interest Rates and Initial Offering Prices

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Price Offering Rule Used</i>
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^F Term Bonds.

^C Priced to the September 1, 20__ optional redemption date, at ____%.

Optional Redemption. The Bonds are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after _____, 20__, from any source of available funds other than Minimum Sinking Fund Payments and Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on any date on or after _____, 20__ through _____, 20__;

102% if redeemed on any date from _____, 20__ through _____, 20__;

101% if redeemed on any date from _____, 20__ through _____, 20__; and

100% if redeemed on _____, 20__ and any date thereafter.

Extraordinary Redemption from Prepayment of Special Taxes. The Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates, as a whole or in part on any Interest Payment Date on or after _____, 20__, solely from funds derived from the extraordinary redemption of Local Obligations from Special Tax Prepayments, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest thereon to the date fixed for redemption:

103% if redeemed on an Interest Payment Date on or after _____, 20__ through _____, 20__;

102% if redeemed on an Interest Payment Date on _____, 20__ and _____, 20__;

101% if redeemed on an Interest Payment Date on _____, 20__ and _____, 20__; and

100% if redeemed on _____, 20__ and any Interest Payment Date thereafter.

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 1, 20__ are subject to mandatory redemption in part by lot on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
_____	_____

† Maturity.

The Bonds maturing on September 1, 20__ are subject to mandatory redemption in part on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

Minimum Sinking Fund Payment Date (September 1)	Bonds Minimum Sinking Fund Payment
_____	_____

† Maturity.

The Bonds maturing on September 1, 20__ are subject to mandatory redemption in part on September 1 of each year commencing September 1, 20__, at a redemption price equal to one hundred percent (100%) of the principal amount thereof called for redemption together with accrued interest thereon to the date fixed for redemption:

<u>Minimum Sinking Fund Payment Date (September 1)</u>	<u>Bonds Minimum Sinking Fund Payment</u>
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† Maturity.

If the Bonds subject to mandatory redemption are redeemed in part prior to their stated maturity date other than from Minimum Sinking Fund Payments, the Minimum Sinking Fund Payments for such Bonds shall be reduced proportionately by the principal amount of such Bonds so redeemed.

EXHIBIT B

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

LETTER OF REPRESENTATIONS OF THE DISTRICT

_____, 2022

Piper Sandler & Co.
3626 Fair Oaks Boulevard
Sacramento, California 95864

Re: *City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Bonds, Series 2022*

Ladies and Gentlemen:

In connection with the proposed offer and sale of the above-referenced bonds (the “**Special Tax Bonds**”), the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**Community Facilities District**”) hereby represents and covenants to Piper Sandler & Co., as underwriter (the “**Underwriter**”) of the Folsom Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”), as follows:

A. The City of Folsom (the “**City**”) is duly organized and validly existing as a municipal corporation and charter city under the Constitution and laws of the State of California and the Charter and the Community Facilities District is a community facilities district organized and existing pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

B. The City has duly authorized the formation of the Community Facilities District and the establishment of Improvement Area No. 1 therein (the “**Improvement Area**”) pursuant to resolutions and an ordinance duly adopted by the City Council (collectively, the “**Community Facilities District Formation Resolution**” and, together with Resolution No. _____ authorizing the issuance and sale of the Special Tax Bonds, the “**Community Facilities District Resolutions**”) and the Community Facilities District Act. The City Council, acting as the legislative body of the Community Facilities District has duly adopted the Community Facilities District Resolutions, and has caused to be recorded in the real property records of the County of Sacramento, a notice of special tax lien (the “**Notice of Special Tax Lien**”) (the Community Facilities District Formation Resolution and Notice of Special Tax Lien being collectively referred to herein as the “**Formation Documents**”). Each of the Formation Documents remains in full force and effect as of the date hereof and has not been amended.

C. The Community Facilities District has, and at the Closing Date will have, as the case may be, full legal right, power and authority: (i) to execute, deliver and perform its obligations under the District Indenture, the Trust Agreement, the Continuing Disclosure Certificate and the Local Obligation Purchase Contract, and to carry out all transactions contemplated by each of such documents; (ii) to issue, sell and deliver its Special Tax Bonds to the Authority; and (iii) to carry out, give effect to and consummate the transactions contemplated by the Formation Documents, the District Indenture, the Trust Agreement, the Local Obligation Purchase Contract, the Special Tax Bonds, this Letter of Representations, the Continuing Disclosure Certificate and the Official Statement.

This Letter of Representations, the Trust Agreement, the District Indenture, the Local Obligation Purchase Contract, the Special Tax Bonds and the Continuing Disclosure Certificate are collectively referred to herein as the “**District Documents**.”

D. The Community Facilities District has complied, and will at the Closing Date be in compliance in all material respects, with the Formation Documents and the District Documents, and immaterial noncompliance by the Community Facilities District, if any, will not impair the ability of the Community Facilities District to carry out, give effect to or consummate the transactions contemplated by the foregoing. From and after the date of issuance of its Special Tax Bonds, the Community Facilities District will continue to comply with the covenants of the Community Facilities District contained in the District Documents.

E. Except as described in the Preliminary Official Statement, the Community Facilities District is not, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, and the performance of its obligations under the District Documents and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed by the Community Facilities District pursuant to the District Documents, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the Community Facilities District of its obligations under the District Documents or the performance of the conditions precedent to be performed by the Community Facilities District pursuant to the District Documents.

F. Except as may be required under the “blue sky” or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Community Facilities District of its obligations under the District Documents, have been or will be obtained at the Closing Date and are or will be in full force and effect at the Closing Date.

G. The District Documents conform as to form and tenor to the descriptions thereof contained in the Preliminary Official Statement.

H. The Special Tax Bonds are payable from the Special Tax, as set forth in the District Indenture, the levy of which has been duly and validly authorized pursuant to the Community Facilities District Act and the Special Tax within the Improvement Area will be fixed and levied in an amount which, together with other available funds, is required for the payment of the principal of, and interest on, the Special Tax Bonds when due and payable, all as provided in the District Indenture. The Community Facilities District has covenanted to cause the Special Tax to be levied and collected at the same time and in the same manner as ordinary ad valorem property taxes.

I. The District Indenture creates a valid pledge of, first lien upon and security interest in, the Special Tax, and in the moneys in the Special Tax Fund established pursuant to the District Indenture, on the terms and conditions set forth in the District Indenture.

J. Except as disclosed in the Preliminary Official Statement, there are, to the best of the Community Facilities District's knowledge, no entities with outstanding assessment liens against any of the properties within the Improvement Area or which are senior to or on a parity with the Special Tax referred to in paragraph (H) hereof.

K. The information contained in the Preliminary Official Statement (other than statements therein pertaining to the Authority, DTC and its book-entry system and under the caption "PROPOSED PROPERTY DEVELOPMENT — Property Ownership," "— Development Plan and Status of Development" and "— Development Plans of Finance," as to which no view is expressed) does not and shall not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (L) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

L. Up to and including 25 days after the End of the Underwriting Period, the Community Facilities District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Community Facilities District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term "**End of the Underwriting Period**" means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be a written notice delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

M. There is no action pending (notice of which has been served on the Community Facilities District or the City) or to the best knowledge of the Community Facilities District

threatened, in which any such action: (i) in any way questions the existence of the Community Facilities District or the titles of the officers of the City to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of the Bonds or the Special Tax Bonds or the payment or collection of the Special Tax or any amounts pledged or to be pledged to pay the principal of and interest on the Special Tax Bonds or the Bonds, or in any way contests or affects the validity of the Formation Documents or the District Documents or the consummation of the transactions on the part of the Community Facilities District contemplated thereby; (iii) contests the exemption of interest on the Bonds or the Special Tax Bonds from federal or State income taxation, as applicable, or contests the powers of the City or the Community Facilities District which may result in any material adverse change relating to the financial condition of the Community Facilities District; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

N. Any certificate signed on behalf of the Community Facilities District by any officer or employee of the City authorized to do so shall be deemed a representation by the Community Facilities District to the Authority and the Underwriter on behalf of itself and the Community Facilities District as to the statements made therein.

O. At or prior to the Closing, the Community Facilities District will have duly authorized, executed and delivered the Continuing Disclosure Certificate in substantially the form attached as Appendix D to the Official Statement. Except as disclosed in the Preliminary Official Statement, the City has not failed to comply in all respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events in the last five years.

P. The Community Facilities District will apply the proceeds of its Special Tax Bonds in accordance with the District Indenture.

Q. Between the date of the Purchase Agreement and the date of Closing, the Community Facilities District will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed to the Underwriter.

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Bond Purchase Agreement by and between the Authority and the Underwriter.

CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23 (FOLSOM
RANCH)

By: _____
Finance Director of the City of Folsom

EXHIBIT C

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

**LETTER OF REPRESENTATIONS OF
EAST CARPENTER IMPROVEMENT COMPANY, LLC**

_____, 2022

Folsom Ranch Financing Authority
50 Natoma Street
Folsom, California 95630

City of Folsom Community Facilities District No. 23
(Folsom Ranch)
50 Natoma Street
Folsom, California 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard, Suite 100
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “**Purchase Agreement**”). This Letter of Representations of East Carpenter Improvement Company, LLC (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of East Carpenter Improvement Company, LLC, a California limited liability company (the “**Developer**”), and the undersigned, on behalf of the Developer further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing under the laws of the State of California and is duly registered to transact intrastate business in the State of California and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 (the “**Improvement Area**”) of City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**Community Facilities District**”) is held in the name of the Developer or its Affiliates¹ (herein the “**Property**”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned,² (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process or proper notice to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if

¹ “Affiliate” means, with respect to a Person (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to potential investors in their evaluation of the Improvement Area and investment decision regarding the Bonds (i.e., information relevant to the Developer’s development plans with respect to its Property and the payment of its Special Tax on the Property prior to delinquency, or such Person’s assets or funds that would materially affect the Developer’s ability to develop its Property as described in the Preliminary Official Statement or to pay its Special Tax on the Property prior to delinquency). “Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this Certificate, the term “Affiliate” is expressly deemed to include Folsom Real Estate South, LLC, WestLand Capital Partners, L.P.

² As used in this Letter of Representations, the phrase “Actual Knowledge of the Undersigned” shall mean the knowledge of the undersigned as of the date hereof obtained from interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth herein. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations.

successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax or *ad valorem* tax obligations on its Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency.

6. To the Actual Knowledge of the Undersigned as of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the caption "PROPOSED PROPERTY DEVELOPMENT" is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District or the Improvement Area, to challenge the adoption of Ordinance No. 1305 of the City levying the Special Tax within the Improvement Area, to invalidate the Community Facilities District, the Improvement Area or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the amended notice of special tax lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any other action, suit or proceeding including, without limitation, (a) an action or suit contending that the Special Tax has not been levied in accordance with the methodologies contained in the Community Facilities District's Rate and Method of Apportionment of Special Taxes for the Improvement Area pursuant to which the Special Tax is levied, or (b) an action or suit with respect to the application or use of the Special Tax levied and collected.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. The Developer has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Developer has been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, neither the Developer nor any Affiliate is currently in default in, or in the last five (5) years has ever defaulted to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district

financing or (b) resulted in a foreclosure action being commenced against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Community Facilities District Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. For the period through 25 days after the "End of the Underwriting Period" as defined in the Purchase Agreement, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement

the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

15. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Exhibit D to the Purchase Agreement.

16. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

The undersigned has executed this Letter of Representations solely in his or her capacity as an officer or authorized representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations.

**EAST CARPENTER IMPROVEMENT COMPANY,
LLC, a California limited liability company**

By: HBT ECIC, LLC, a California limited liability
company

Its: Managing Member

By: _____

Name: William B. Bunce

Its: Manager

EXHIBIT D

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)
SPECIAL TAX REVENUE BONDS
SERIES 2022**

CLOSING CERTIFICATE OF EAST CARPENTER IMPROVEMENT COMPANY, LLC

_____, 2022

Folsom Ranch Financing Authority
50 Natoma Street
Folsom, CA, 95630

City of Folsom Community Facilities District No. 23
(Folsom Ranch)
50 Natoma Street
Folsom, CA, 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the "Bonds") and to the Bond Purchase Agreement, dated _____, 2022 (the "Purchase Agreement"), entered into in connection therewith. This certificate is delivered by East Carpenter Improvement Company, LLC, a California limited liability company (the "**Developer**") pursuant to the Purchase Agreement. Capitalized terms used herein or in the Letter of Representations (defined below) and not otherwise defined have the meanings ascribed to them in the Purchase Agreement. A copy of a Letter of Representations (the "Letter of Representations"), dated _____, 2022, delivered by the Developer, is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the

Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. The undersigned has executed this Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Certificate.

**EAST CARPENTER IMPROVEMENT COMPANY,
LLC, a California limited liability company**

By: HBT ECIC, LLC, a California limited liability
company
Its: Managing Member

By: _____
Name: William B. Bunce
Its: Manager

EXHIBIT E

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

**LETTER OF REPRESENTATIONS OF
CMB IMPROVEMENT COMPANY, LLC**

_____, 2022

Folsom Ranch Financing Authority
50 Natoma Street
Folsom, California 95630

City of Folsom Community Facilities District No. 23
(Folsom Ranch)
50 Natoma Street
Folsom, California 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard, Suite 100
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “**Purchase Agreement**”). This Letter of Representations of CMB Improvement Company, LLC (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of CMB Improvement Company, LLC, a California limited liability company (the “**Developer**”), and the undersigned, on behalf of the Developer further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing under the laws of the State of California and is duly registered to transact intrastate business in the State of California and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 (the “**Improvement Area**”) of City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**Community Facilities District**”) is held in the name of the Developer or its Affiliates³ (herein the “**Property**”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned,⁴ (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process or proper notice to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if

³ “Affiliate” means, with respect to a Person (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to potential investors in their evaluation of the Improvement Area and investment decision regarding the Bonds (i.e., information relevant to the Developer’s development plans with respect to its Property and the payment of its Special Tax on the Property prior to delinquency, or such Person’s assets or funds that would materially affect the Developer’s ability to develop its Property as described in the Preliminary Official Statement or to pay its Special Tax on the Property prior to delinquency). “Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this Certificate, the term “Affiliate” is expressly deemed to include Folsom Real Estate South, LLC, WestLand Capital Partners, L.P.

⁴ As used in this Letter of Representations, the phrase “Actual Knowledge of the Undersigned” shall mean the knowledge of the undersigned as of the date hereof obtained from interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth herein. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations.

successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax or *ad valorem* tax obligations on its Property (to the extent the responsibility of the Developer or its Affiliates) prior to delinquency.

6. To the Actual Knowledge of the Undersigned as of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the caption "PROPOSED PROPERTY DEVELOPMENT" is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District or the Improvement Area, to challenge the adoption of Ordinance No. 1305 of the City levying the Special Tax within the Improvement Area, to invalidate the Community Facilities District, the Improvement Area or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the amended notice of special tax lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any other action, suit or proceeding including, without limitation, (a) an action or suit contending that the Special Tax has not been levied in accordance with the methodologies contained in the Community Facilities District's Rate and Method of Apportionment of Special Taxes for the Improvement Area pursuant to which the Special Tax is levied, or (b) an action or suit with respect to the application or use of the Special Tax levied and collected.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. The Developer has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Developer has been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, neither the Developer nor any Affiliate is currently in default in, or in the last five (5) years has ever defaulted to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district

financing or (b) resulted in a foreclosure action being commenced against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Community Facilities District Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. For the period through 25 days after the "End of the Underwriting Period" as defined in the Purchase Agreement, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement

the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

15. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Exhibit F to the Purchase Agreement.

16. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

The undersigned has executed this Letter of Representations solely in his or her capacity as an officer or authorized representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations.

**CMB IMPROVEMENT COMPANY, LLC, a
California limited liability company**

By: HBT CMB, LLC, a California limited liability
company

Its: Managing Member

By: _____

Name: William B. Bunce

Its: Manager

EXHIBIT F

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)
SPECIAL TAX REVENUE BONDS
SERIES 2022**

CLOSING CERTIFICATE OF CMB IMPROVEMENT COMPANY, LLC

_____, 2022

Folsom Ranch Financing Authority
50 Natoma Street
Folsom, CA, 95630

City of Folsom Community Facilities District No. 23
(Folsom Ranch)
50 Natoma Street
Folsom, CA, 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the "Bonds") and to the Bond Purchase Agreement, dated _____, 2022 (the "Purchase Agreement"), entered into in connection therewith. This certificate is delivered by CMB Improvement Company, LLC, a California limited liability company (the "**Developer**") pursuant to the Purchase Agreement. Capitalized terms used herein or in the Letter of Representations (defined below) and not otherwise defined have the meanings ascribed to them in the Purchase Agreement. A copy of a Letter of Representations (the "Letter of Representations"), dated _____, 2022, delivered by the Developer, is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the

Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. The undersigned has executed this Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Certificate.

**CMB IMPROVEMENT COMPANY, LLC, a
California limited liability company**

By: HBT CMB, LLC, a California limited liability
company
Its: Managing Member

By: _____
Name: William B. Bunce
Its: Manager

EXHIBIT G

SUPPLEMENTAL OPINION OF BOND COUNSEL

_____, 2022

Piper Sandler & Co., as Underwriter
Sacramento, California

Folsom Ranch Financing Authority
City of Folsom Community Facilities District No. 23 (Folsom Ranch)
Improvement Area No. 1
Special Tax Revenue Bonds, Series 2022
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 4.F.7. of the Bond Purchase Agreement, dated _____, 2022 (the “**Purchase Agreement**”), between you and the Folsom Ranch Financing Authority (the “**Authority**”), providing for the purchase of \$_____ principal amount of Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”). The Bonds are being issued pursuant to a Trust Agreement, dated as of May 1, 2022 (the “**Trust Agreement**”), among the Authority, the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “Community Facilities District”) and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Agreement.

We have delivered our final legal opinion (the “**Bond Opinion**”) as bond counsel to the Authority concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Authority. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the Authority, we have reviewed the Purchase Agreement; the Trust Agreement; the Local Obligations Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed and delivered by the Authority, the Community Facilities District and the City; certain portions of the electronic version of the official statement of the Authority, dated _____, 2022 and posted on _____, 2022, with respect to the Bonds (the “**Official Statement**”); opinions of counsel to the Authority, the Community Facilities District and the Trustee; certificates of the Authority, the Community Facilities District, the Trustee, Integra Realty Resources (the “**Appraiser**”), NBS (the “**Special Tax Consultant**”), East Carpenter Improvement Company, LLC (the “**Master Developer**”), KB HOME Sacramento Inc. (“**KB HOME**”), Tri Pointe Homes IE-SD, Inc. (“**Tri Pointe**”), Lennar Homes of California, LLC (“**Lennar Homes**”), Beazer

Homes Holdings, LLC (“**Beazer**”) , FR 68 Lots LLC (“**FR 68 Lots**”), and Signature Homes, Inc. (“**Signature Homes**” and, together with KB HOME, Tri Pointe, Lennar Homes, Beazer and FR 68 Lots, the “**Merchant Builders**”) and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Local Obligations Indenture, the Tax Certificate and the Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and community facilities districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Trust Agreement or the Local Obligations Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We also express no opinion regarding plans, specifications, maps, financial reports or other engineering or financial details of the proceedings, or upon the Rate and Method of Apportionment for Improvement Area No. 1 of the Community Facilities District or the validity of the Special Tax levied upon any individual parcel.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
2. The Purchase Agreement has been duly executed and delivered by, and is a valid and binding agreement of, the Authority.
3. The statements contained in the Official Statement under the captions “THE BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” (excluding therefrom the information under the headings “–Special Tax Analysis”, “–Special Tax Calculation” and “–The Teeter Plan”), and “TAX MATTERS,” and in APPENDIX E—“PROPOSED FORM OF OPINION

OF BOND COUNSEL” and APPENDIX C—”SUMMARY OF PRINCIPAL DOCUMENTS,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Trust Agreement, or set out the form and content of our Bond Opinion, are accurate in all material respects.

4. We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 3 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as bond counsel to the Authority in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the Community Facilities District, the City, the Authority, their counsel, representatives of the Master Developer, the Merchant Builders and their respective counsel, the Appraiser, the Special Tax Consultant and others, during which conferences the contents of the Preliminary Official Statement, Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon, on oral and written statements and representations of the Authority, the Community Facilities District, and others and on the records, documents, certificates, opinions and matters herein mentioned, subject to the limitations on our role as bond counsel to the Authority, we advise you as a matter of fact and not opinion that no facts came to the attention of the attorneys in our firm rendering legal services with respect to the Preliminary Official Statement and the Official Statement which caused us to believe that the Preliminary Official Statement as of its date and as of the date of the Purchase Agreement, or the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, absorption, real estate or environmental matters, any statements about compliance with prior continuing disclosure undertakings, or any information about book-entry, DTC, Cede & Co., ratings, rating agencies, underwriters, underwriting, and the information contained in Appendices A, B, D, F, G and H included or referred to therein or omitted therefrom, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view), contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the Bonds, is solely for your benefit as such Underwriter in connection with the original issuance of the Bonds on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

G-3

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT H

FORM OF MERCHANT BUILDER LETTER OF REPRESENTATIONS

FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022

_____, 2022

Folsom Ranch Financing Authority
50 Natoma Street
Folsom, California 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard, Suite 100
Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “**Bonds**”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “**Purchase Agreement**”). This Letter of Representations of _____ (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of _____, a _____ (the “**Builder**”), and the undersigned, on behalf of the Builder, further certifies as follows:

1. The Builder is a validly existing corporation and in good standing under the laws of the State of _____, is duly registered to transact intrastate business [as a foreign corporation] and in good standing in the State of California, and has all requisite corporate right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, the Builder owns certain property (herein the “**Property**”) within Improvement Area No. 1 (the “**Improvement Area**”) of City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**District**”). The undersigned, on behalf of the Builder, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (as defined below), (a) the Builder and its Affiliates¹ are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “Material Agreements”) to which the Builder or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Builder’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Builder) prior to delinquency and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned², neither the Builder nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Builder’s ability complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax on the Property (to the extent the responsibility of the Builder) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Builder (with proper service of process to the Builder having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Builder or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Builder’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax or *ad valorem* tax obligations on its Property (to the extent the responsibility of the Builder) prior to delinquency.

6. As of the date of the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the information set forth therein under the captions “PROPOSED PROPERTY DEVELOPMENT—Property Ownership – _____,” “—Development Plan and Status of Development — _____,” “— Development Plans of Finance—_____ *Plan of Finance*,” and

¹ “Affiliate” means, with respect to the Builder, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Builder, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Improvement Area and investment decision regarding the Bonds (*i.e.*, information relevant to: (a) the Builder’s development plans with respect to its Property and the payment of its Special Tax on the Property prior to delinquency; or (b) such Person’s assets or funds that would materially affect the Builder’s ability to develop its Property as described in the Preliminary Official Statement or to pay its Special Tax on the Property (to the extent the responsibility of the Builder) prior to delinquency). “Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

² “Actual Knowledge of the Undersigned” shall mean the actual (as opposed to constructive) knowledge that the undersigned currently has as of the date of this Letter of Representations or has obtained from (i) interviews with such current officers and responsible employees of the Builder as the undersigned has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations, and/or (ii) a review of such documents as the undersigned determined were reasonably necessary to obtain knowledge of the matters set forth in this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Builder’s current business and operations. The undersigned has not contacted individuals who are no longer employed by the Builder.

["CONTINUING DISCLOSURE – _____"] but, in each caption, solely as such information pertains to Builder, its Affiliates, the Property, Builder's development of the Property and Builder's contractual arrangements with respect thereto (excluding therefrom in all cases (a) any statements regarding any other property owner or the property owned by a property owner other than the Builder, (b) any information on appraised and market values, and annual special tax rates and ratios, including information regarding the Appraisal and Market Absorption Study (as such terms are defined in the Preliminary Official Statement), and (c) any information which is identified as having been provided by a source other than the Builder) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Builder covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Builder and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District and the Improvement Area, to challenge the adoption of Ordinance No. 1305 of the District levying the Special Tax within the Improvement Area, to invalidate the District, the Improvement Area or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the notice of special tax lien relating thereto. The foregoing covenant shall not prevent the Builder or any Affiliate in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, including, without limitation, (a) contending that the Special Tax has not been levied in accordance with the methodologies contained in the Rate, Method of Apportionment, and Manner of Collection of Special Taxes pursuant to which the Special Tax is levied, (b) with respect to the application or use of the Special Tax levied and collected, or (c) to enforce the obligations of the Authority, the City, and/or the District under any agreements among the Builder and its Affiliates, the Authority, the City, and/or the District or to which the Builder or its Affiliates is a party or beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Builder is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. The Builder has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Builder has been delinquent at one time or another in the payment of ad valorem property taxes, special assessments or special taxes. However, except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Builder is not currently in default in, or, in the last five years, has ever defaulted to any material extent in, the payment of special taxes or assessments in connection with the District or any other community facilities districts or assessment districts in California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) was not cured prior to the institution of any enforcement action with a court of law.

10. Builder intends to comply with the provision of the Mello-Roos Community Facilities District Act of 1982, as amended relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Builder is able to pay its bills as they become due and no legal proceedings are pending against the Builder (with proper service of process to the Builder having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Builder may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Builder are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Builder (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Builder may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Builder, its Affiliates, ownership of the Property, the Builder's development plan, the Builder's financing plan, the Builder's lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder's development plan or the Builder's financing plan, loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the Authority and the Underwriter and if in the opinion of counsel to the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Builder shall reasonably cooperate with the Authority in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the Authority and to the Underwriter.

14. The Builder agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Exhibit A.

15. On behalf of the Builder, I have reviewed the contents of this Letter of Representations and have met with counsel to the Builder for the purpose of discussing the meaning of its contents.

The undersigned has executed this Letter of Representations solely in his or her capacity as an officer or authorized representative of Builder and he or she will have no personal liability arising from or relating to this Letter of Representations.

_____, a _____
By: _____
[Name]
[Title]

EXHIBIT A

FORM OF MERCHANT BUILDER CLOSING CERTIFICATE

§ _____
FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022

_____, 2022

Folsom Ranch Financing Authority
 50 Natoma Street
 Folsom, CA, 95630

Piper Sandler & Co.
 3626 Fair Oaks Boulevard, Suite 100
 Sacramento, California 95864

Ladies and Gentlemen:

Reference is made to the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”) and to the Bond Purchase Agreement, dated _____, 2022 (the “**Purchase Agreement**”), entered into in connection therewith. This Closing Certificate of _____ (the “**Closing Certificate**”) is delivered by _____, a _____ (the “**Builder**”) pursuant to the Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Letter of Representations of _____ (the “**Letter of Representations**”), dated _____, 2022, delivered by the Builder.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Builder, and the undersigned, on behalf of the Builder, further certifies as follows:

1. The Builder has received the final Official Statement dated _____, 2022 relating to the Bonds (the “**Official Statement**”). Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Builder, its Affiliates, ownership of the Property, the Builder’s development plan, the Builder’s financing plan, the Builder’s lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder’s

development plan or the Builder’s financing plan, loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the “End of the Underwriting Period” as defined in the Purchase Agreement to be the date hereof, if any event relating to or affecting the Builder, its Affiliates, ownership of the Property, the Builder’s development plan, the Builder’s financing plan, the Builder’s lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder’s development plan or the Builder’s financing plan, loans of such Affiliates) shall occur and cause the information under the sections of the Official Statement indicated in Paragraph 6 of the Letter of Representations to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the Authority and the Underwriter and if in the opinion of the Underwriter or counsel to the Authority, it is necessary to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Builder shall reasonably cooperate with the Authority and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

The undersigned has executed this Closing Certificate solely in his or her capacity as an officer or representative of Builder and he or she will have no personal liability arising from or relating to this Closing Certificate.

_____, a _____

By: _____
[Name],
[Title]

EXHIBIT I

FORM OF OPINION OF COUNSEL TO MERCHANT BUILDERS

_____, 2022

Folsom Ranch Financing Authority
 c/o City of Folsom
 50 Natoma Street
 Folsom, California 95630

Piper Sandler & Co.
 3626 Fair Oaks Boulevard, Suite 100
 Sacramento, California 95864

*Re: \$_____ Folsom Ranch Financing Authority City of Folsom Community
 Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax
 Revenue Bonds Series 2022*

Ladies and Gentlemen:

We have acted as counsel to _____, a _____ (the “**Builder**”) in connection with the issuance and sale by the Folsom Ranch Financing Authority (the “**Issuer**”) of \$_____ Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds Series 2022 (the “**Bonds**”) to provide funds to finance the purchase of limited obligation special tax bonds, issued by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “**District**”) with respect to Improvement Area No. 1 therein (the “**Improvement Area**”). This opinion is rendered pursuant to the Bond Purchase Agreement dated _____, 2022 (the “**Bond Purchase Agreement**”), entered into in connection therewith. Capitalized terms used herein without definition shall have the meanings set forth in the Bond Purchase Agreement.

In rendering the opinions set forth herein, we have reviewed and examined such documents as we have determined to be appropriate, including the following documents:

1. The Bond Purchase Agreement;
2. The Preliminary Official Statement and the Final Official Statement (together, the “**Official Statement**”);
3. The Builder Continuing Disclosure Certificate dated _____, 2022, executed by Builder (the “**Builder Disclosure Certificate**”); and

4. Letter of Representations of Builder dated _____, 2022, and the Closing Certificate of Builder, dated _____, 2022, both as required pursuant to the Bond Purchase Agreement (collectively, the “**Builder Certificate**”).

With respect to factual matters underlying our opinions herein, we have made no independent investigation or inquiry and have relied solely upon the Builder’s Certificate. We advise you that the phrase “to our knowledge,” as used herein, means that no facts have come to our attention, based upon an inquiry of attorneys in this firm who devote substantive legal attention to the Builder, or as a result of our examination of the Builder’s Certificate, that indicate to us anything contrary to the statement to which the phrase relates. Except as expressly set forth above, the phrase does not mean that we have conducted any investigation or inquiry or performed any other examination or review. We have no reason to believe that any factual matters or assumptions relied upon by us are not true, correct and complete.

Our opinions herein are limited to the internal laws of the State of California and the federal laws of the United States of America. We express no opinion whatsoever with respect to the laws of any other jurisdiction and assume no responsibility for the applicability of such laws.

In rendering our opinions herein, we have assumed the following, with your approval:

- i. The genuineness and authenticity of all signatures on original documents submitted to us (other than any signatures on behalf of the Builder); the authenticity and completeness of all documents submitted to us as originals; the conformity to originals of all documents submitted to us as copies; where any signature, other than any signature on behalf of Developer purports to have been made in a corporate, governmental, fiduciary or other capacity, the person who affixed such signature had the full power and authority to do so;
- ii. The due authorization, execution and delivery of the applicable agreements by the parties thereto, other than the Developer, and the legality, validity, binding effect and enforceability against such parties of their respective obligations under such agreements;
- iii. The truth, accuracy and completeness of all factual representations and warranties of all parties under the documents described in paragraphs 1 through 4, above;
- iv. The constitutionality or validity of a relevant statute, rule, regulation or agency action is not in issue unless a reported decision in the State of California has specifically addressed but not resolved, or has established, its unconstitutionality or invalidity; and
- v. All official public records relied upon by us are accurate and complete.

Based upon the foregoing and in reliance thereon, and based on our examination of such questions of law as we have deemed appropriate under the circumstances, and subject to any further assumptions, comments, exceptions, qualifications and limitations set forth below, as of the date hereof, it is our opinion that:

1. The Builder is a _____ validly existing and in good standing as a _____ under the laws of the State of California, and has full power and authority to enter into the Builder Disclosure Certificate.

2. The Builder has duly and validly executed and delivered the Builder Disclosure Certificate, and the Builder Disclosure Certificate constitutes the legal, valid and binding obligation of the Builder, enforceable against the Builder in accordance with its terms.

3. To our knowledge, except as set forth in the Official Statement, there is no litigation pending against Developer (with service of process to the Builder having been duly given and completed) or overtly threatened against the Builder which would materially and adversely affect the validity or enforceability of the Builder Disclosure Certificate, the Builder's ability to complete the development of its property as proposed in the Official Statement or to pay the Special Tax.

4. Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement under the captions, "PROPOSED PROPERTY DEVELOPMENT—Property Ownership — _____," "—Development Plan and Status of Development — _____," "— Development Plans of Finance—_____ *Plan of Finance*," and "CONTINUING DISCLOSURE — _____" (except that no opinion or belief need to be expressed as to any information relating to The Depository Trust Company, or any information relating to CUSIP numbers, or with respect to any financial, statistical or engineering information, data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, assessed valuations or appraised values, or to any information which is attributable to a source other than Builder, contained in the Official Statement), no facts came to our attention during the course of our representation of the Builder that would lead us to believe that the information under said captions of the Official Statement relating to the Builder and the Builder's organizations, activities, properties and financial condition, and its proposed development of the Property, contains any untrue statement of a material fact or omits any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In addition, all of our opinions expressed hereinabove are specifically subject to and limited by the following:

a) We express no opinion as to matters governed by any laws other than the substantive laws of California which are in effect as of the date hereof, and we assume no obligation to modify or supplement this opinion with respect to changes in such laws after the date hereof.

b) As counsel to the Builder in this matter, we have not rendered financial advice to the Builder and do not represent, by this opinion or otherwise, that we have reviewed or made any assessment about, nor do we offer any opinion about, the financial condition of the Builder, past, present or future, including any financial information contained in the Builder Disclosure Certificate; nor have we reviewed the financial feasibility of this transaction or those matters which the proceeds of the Bonds will fund or any of its components and, accordingly, we offer no opinion whatsoever regarding such financial feasibility.

c) The effect of laws or court decisions relating to bankruptcy, insolvency, fraudulent conveyance, equitable subordination, reorganization, arrangement, moratorium or other laws or court decisions relating to or affecting creditors' rights generally.

d) Limitations imposed by California or federal law or equitable principles upon the availability of the remedy of specific performance of any of the remedies, covenants or other provisions of any document or agreement and upon the availability of injunctive relief or other equitable remedies.

In addition, we express no opinion as to the title of the property within the Improvement Area or any entitlements, permits, approvals or other assets relating to the Builder's development of its property as proposed in the Official Statement.

We express no opinion as to any matter other than as expressly set forth above, and, in conjunction therewith, specifically express no opinion concerning the application of or compliance with any federal securities law, including, but not limited to, the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, any state securities or "Blue Sky" law, or any federal, state or local tax law, as respecting the Bonds.

This letter is intended solely for your use in relation to the Bond Purchase Agreement and may not be reproduced or filed publicly or relied upon for any other purpose by you or for any purpose whatsoever by any other party without the express written consent of the undersigned except that this opinion may be copied and distributed as part of a closing book of the bond transaction documents, provided that such distribution shall not expand in any way the permitted uses of this letter.

We assume no responsibility for the effect of any fact or circumstance occurring subsequent to the date of this letter, including, without limitation, legislative or other changes in the law. Further, we assume no responsibility to advise you of any facts or circumstances of which we become aware after the date hereof, regardless of whether or not they may affect our opinions herein. This opinion is given as of the date hereof, and we assume no obligation to update our opinions herein after the date hereof.

Very Truly Yours,

EXHIBIT J

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Piper Sandler & Co. (the “PSC”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) PSC offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “**Initial Offering Prices**”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated _____, 2022, by and between PSC and the Issuer, PSC has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the _____, 2022 (the Sale Date), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Folsom Ranch Financing Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2022.

(h) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents PSC's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick Herrington & Sutcliffe LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

PIPER SANDLER & CO.

By: _____

Name: _____

Dated: _____, 2022

SCHEDULE A

(Attached)

SCHEDULE B
PRICING WIRE

(Attached)

EXHIBIT K

**FOLSOM RANCH FINANCING AUTHORITY
CITY OF FOLSOM COMMUNITY FACILITIES DISTRICT NO. 23
(FOLSOM RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REVENUE BONDS
SERIES 2022**

CERTIFICATE OF APPRAISER

Folsom Ranch Financing Authority
50 Natoma Street,
Folsom, CA, 95630

City of Folsom Community Facilities District No. 23
(Folsom Ranch)
50 Natoma Street,
Folsom, CA, 95630

Piper Sandler & Co.
3626 Fair Oaks Boulevard, Suite 200
Sacramento, California 95864

The undersigned hereby states and certifies:

1. That he is an authorized principal of Integra Realty Resources (the "Appraiser") and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Appraiser has prepared an appraisal report, dated February 28, 2022 (the "**Appraisal Report**"), on behalf of the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "Community Facilities District") and the Folsom Ranch Financing Authority (the "**Authority**") in connection with the Preliminary Official Statement, dated _____, 2022 (the "**Preliminary Official Statement**") and the Official Statement dated _____, 2022 ("**Official Statement**"), for the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the "**Bonds**").

3. That the Appraiser hereby consents to the reproduction and use of the Appraisal Report appended to the Preliminary Official Statement and the Official Statement. The Appraiser also consents to the references to the Appraiser and the Appraisal made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Appraiser the assumptions made in the Appraisal Report are reasonable. Since the date of value of the Appraisal Report, the Appraiser is not aware of any facts that would cause its opinion of value of the taxable property in Improvement Area No. 1 (the "Improvement Area") of the Community Facilities District to be lower than the value in the Appraisal.

5. Each of the parcels appraised by the Appraiser is encompassed within the Improvement Area as set forth in the boundary map of the Community Facilities District.

6 That, as of the date of the Official Statement and as of the date hereof, the Appraisal Report appended to the Official Statement, to the best of my knowledge and belief, and subject to all of the Limiting Conditions and Major Assumptions set forth in the Appraisal Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values stated in the Appraisal Report. However, we have not performed any procedures since the date of the Appraisal Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

7. The Community Facilities District and the Underwriter, Piper Sandler & Co., are entitled to rely on the Certificate.

Dated: _____, 2022

INTEGRA REALTY RESOURCES

By: _____
Authorized Representative

ATTACHMENT 8

DISTRICT CONTINUING DISCLOSURE CERTIFICATE

THIS DISTRICT CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated as of _____, 2022, is executed and delivered by the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the “District”) relative to the Folsom Ranch Financing Authority (the “Authority”) in connection with the issuance by the Authority of the Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022 (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement (the “Trust Agreement”), among the District, the Authority and U.S. Bank Trust Company, National Association (the “Trustee”). The District covenants and agrees as follows.

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Annual Report Date” means the date in each year that is nine months after the end of the District’s fiscal year, which date, as of the date of this Disclosure Certificate, is April 1.

“Dissemination Agent” shall mean NBS, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Financial Obligation” means, for purposes of the Listed Events set out in Section 5(a)(10) and Section 5(b)(7), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include Municipal Securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” means any of the events listed in subsection (a) of Section 5 hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” means the Official Statement, dated _____, 2022, relating to the Bonds.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 hereof, not later than the Annual Report Date, commencing with the report for the 2021-22 Fiscal Year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall, or shall instruct the Dissemination Agent to, give notice of such change in the same manner as for a Listed Event under subsection (e) of Section 5 hereof. The first Annual Report may include the filing of or reference to the Official Statement. The first Annual Report may include the filing of or reference to the Official Statement.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent.

(c) If the Dissemination Agent is other than the District, then not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent. If the District is unable to provide the Annual Report to the MSRB by the Annual Report Date, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A to the Disclosure Certificate.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was so provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 3 hereof, the Annual Report shall contain unaudited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available. If the District's financial statement is included or consolidated with the financial statement for the City of Folsom (the "City"), then the District shall file the City's audited financial statements as its own.

(b) The following information:

(i) The principal amount of Bonds and any bonds secured by Additional Local Obligations (as defined in the Official Statement) Outstanding as of the December 31 next preceding the Annual Report Date along with debt service schedules for the Bonds and any bonds secured by Additional Local Obligations (as defined in the Official Statement) Outstanding as of such date;

(ii) The balance in each reserve account for the Local Obligations, and a statement of the required bond reserve amount, as of the December 31 next preceding the Annual Report Date;

(iii) The total assessed value of all parcels within the Improvement Area on which the Special Taxes are levied, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor based on special tax and assessment debt, either by individual parcel or by categories (e.g., “below 3:1,” “3:1 to 4:1” etc.);

(iv) The Special Tax delinquency rate for the Improvement Area as of the December 31 next preceding the Annual Report Date; the number of parcels within the Improvement Area delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date; the amount of each delinquency; the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the District; provided, however, that parcels with aggregate delinquencies of \$1,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category;

(v) The status of foreclosure proceedings and a summary of the results of any foreclosure sales in the Improvement Area as of the December 31 next preceding the Annual Report Date;

(vi) The identity of any property owner, representing more than 5% of the Special Tax levy, delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date;

(vii) All tentative and final maps approved and/or recorded within the Improvement Area, describing the gross acres, the planned commercial acres and the number and type of planned residential dwelling units;

(viii) The number of new building permits issued and a description of the purpose of such permits (e.g., new single-family, new multi-family, new commercial, new industrial);

(ix) A land ownership summary listing the top ten Special Tax payers for the Improvement Area, as shown on the assessment roll of the Sacramento County Assessor last equalized prior to the December 31 next preceding the Annual Report Date; and

(x) For the current Fiscal Year, the amount of the Effective Tax Rate Evaluation Maximum Facilities Special Tax, the Maximum Special Tax, the actual Facilities Special Tax levied within the Improvement Area and the actual Special Tax levied within the Improvement Area, with such amounts reported separately for Developed Property, Small Lot Final Map Property and Large Lot Property; provided, however, that once all Taxable Property within the Improvement Area is Developed Property, the Maximum Special Tax and the actual Facilities Special Tax and the actual Special Tax levied may each be shown on an aggregate basis in the Annual Report. For the purposes of this subparagraph (x), all capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Rate and Method of Apportionment for the Improvement Area.

In addition to any of the information expressly required to be provided under this Section, as set forth above, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB through the EMMA System. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the District shall give notice, or cause notice to be given, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue IRS Form 5701 (TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the security.

- (vi) Defeasances.
- (vii) Tender offers.
- (viii) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (ix) Rating changes.

(x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial Obligation of the District, any of which reflect financial difficulties.

(b) The District shall give notice, or cause notice to be given, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Modifications to rights of Bond holders.
- (ii) Bond calls.
- (iii) Release, substitution or sale of property securing repayment of the Bonds.
- (iv) Non-payment related defaults.

(v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vi) Appointment of a successor or additional trustee or the change of name of a trustee.

(vii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b) above, the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable federal securities laws, the District shall notify the Dissemination Agent thereof in writing and instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) of this Section. If in response to a request under subsection (b) of this Section, the District determines that the Listed Event would not be material under applicable Federal securities law, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e) of this Section.

(e) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (ii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 3 hereof, Section 4 hereof or subsections (a) and (b) of Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be given in the same manner as for a Listed Event under subsection (e) of Section 5 hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of outstanding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Trust Agreement. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District has executed this Disclosure Certificate as of the date first above written.

**CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Folsom Ranch Financing Authority
Name of Issue: Folsom Ranch Financing Authority City of Folsom Community Facilities District No. 23 (Folsom Ranch) Improvement Area No. 1 Special Tax Revenue Bonds, Series 2022
Date of Issuance: _____, 2022

NOTICE IS HEREBY GIVEN that the City of Folsom Community Facilities District No. 23 (Folsom Ranch) (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated _____, 2022, executed by the District for the benefit of the Holders and Beneficial Owners of the above-referenced bonds. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

**CITY OF FOLSOM COMMUNITY
FACILITIES DISTRICT NO. 23
(FOLSOM RANCH)**

By: _____
Finance Director of the City of Folsom

ATTACHMENT 9

Folsom Ranch Financing Authority
City of Folsom CFD No. 23 (Folsom Ranch) Improvement Area No. 1
Special Tax Revenue Bonds, Series 2022

SB 450 Summary / Government Code 5852.1*

Estimated Par Amount	\$12,110,000 ¹
A. True Interest Cost (TIC) of the Bonds	4.72% ¹
B. Sum of all fees and charges paid to 3rd parties	\$379,265 ²
C. Bond Proceeds Net of Reserves, Capitalized Interest and 3rd Party Fees and Charges	\$10,966,614
Net proceeds	12,413,923 ¹
Less Reserve Fund	(891,000) ¹
Less Sum of all fees and charges paid to 3rd parties	(379,265) ¹
Less Capitalized Interest	(177,045) ¹
D. Total Payment Amount	\$25,105,307
Total Principal and Interest to Maturity**	24,394,307 ¹
Special Tax Admin. /Continuing Disclosure Fee	555,000 ³
Fiscal Agent Fee	96,000 ⁴
Arbitrage /Rebate Fee	45,000 ⁵
County Collection Charge	15,000 ⁶

*Summary reflects good faith estimates as of 3/24/22 and all costs associated with the financing; subject to change based on interest rates, market conditions, and other factors

**Less Capitalized Interest

Sources:

¹ Preliminary Cash Flows from Piper Sandler as of 3/24/22

² Costs of Issuance

³ NBS - estimated 30 years at \$18,500 per year

⁴ US Bank - 30 years at \$3,200 per year

⁵ NBS - estimated 30 years at \$1,500 per year

⁶ NBS - estimated 30 years at \$500 per year

City of Folsom
City of Folsom CFD No. 23 (Folsom Ranch) Improvement Area No. 1
Special Tax Bonds, Series 2022

SB 450 Summary / Government Code 5852.1*

Estimated Par Amount		\$12,110,000 ¹
A. True Interest Cost (TIC) of the Bonds		4.72% ¹
B. Sum of all fees and charges paid to 3rd parties		\$379,265 ²
C. Bond Proceeds Net of Reserves, Capitalized Interest and 3rd Party Fees and Charges		\$10,966,614
Net proceeds		12,413,923 ¹
Less Reserve Fund		(891,000) ¹
Less Sum of all fees and charges paid to 3rd parties		(379,265) ¹
Less Capitalized Interest		(177,045) ¹
D. Total Payment Amount		\$25,105,307
Total Principal and Interest to Maturity**		24,394,307 ¹
Special Tax Admin. /Continuing Disclosure Fee		555,000 ³
Fiscal Agent Fee		96,000 ⁴
Arbitrage /Rebate Fee		45,000 ⁵
County Collection Charge		15,000 ⁶

*Summary reflects good faith estimates as of 3/24/22 and all costs associated with the financing; subject to change based on interest rates, market conditions, and other factors

**Less Capitalized Interest

Sources:

¹ Preliminary Cash Flows from Piper Sandler as of 3/24/22

² Costs of Issuance

³ NBS - estimated 30 years at \$18,500 per year

⁴ US Bank - 30 years at \$3,200 per year

⁵ NBS - estimated 30 years at \$1,500 per year

⁶ NBS - estimated 30 years at \$500 per year



CITY OF
FOLSOM
DISTINCTIVE BY NATURE

Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Old Business
SUBJECT:	Resolution No. 10838 - A Resolution Authorizing the City Manager to Execute an Updated Fiber Network Installation Agreement with SiFi Networks Folsom LLC for the Installation of a Fiber Optic Network in the City of Folsom
FROM:	Public Works Department

RECOMMENDATION / CITY COUNCIL ACTION

The Public Works Department recommends that the City Council pass and adopt Resolution No. 10838 - A Resolution Authorizing the City Manager to Execute an Updated Fiber Network Installation Agreement with SiFi Networks Folsom LLC for the Installation of a Fiber Optic Network in the City of Folsom.

BACKGROUND / ISSUE

This item was originally discussed at the November 9, 2021 City Council meeting and was continued to the December 14, 2021 meeting in order for staff to contact cities that were under contract with SiFi Networks and currently at some phase of construction. At the December 14, 2021 meeting the Council ultimately voted 3-2 to deny the agreement. SiFi Networks has approached the City of Folsom with an updated license agreement and staff is submitting this updated agreement for the Council's consideration.

SiFi Networks Folsom LLC (SiFi) is a private developer who specializes in Open Access fiber optic networks. SiFi approached City staff earlier this year to propose the installation of a citywide Open Access fiber optic network that they will privately finance and construct. SiFi will wholesale network access to Internet Service Providers (ISPs) which will compete to provide gigabit speed internet services to residents, businesses, institutions, and municipal facilities. The Open Access network is intended to encourage market competition, enable Smart City technological advancements, support healthcare, education, transportation

agencies, government organizations, local businesses and residential neighborhoods, including disadvantaged communities. This will enhance Folsom's competitive advantage when trying to retain or attract new businesses.

The SiFi network will not replace existing ISPs that currently provide service in Folsom (most notably Xfinity and AT&T); however, those existing ISPs may not currently provide all homes and businesses with access to a fiber optic network that allows for symmetrical high-speed internet access. Upon the Fiber Network Installation Agreement being approved by Council, SiFi will be allowed access to the public right-of-way for the purpose of installing a fiber optic network past every premise in the City. The fiber optic network would be constructed using micro-trenching construction and blown micro-duct techniques and would include 35 above-ground cabinets which would be sited in such a way as to minimize the visual impacts to the community.

The agreement has been updated to include a guaranteed maintenance clause that would establish a \$500,000 per year maintenance bond or escrow account that would support SiFi's obligation to restore the public right-of-way upon completion of their fiber installation.

If approved, SiFi and the City will enter into a Fiber Networks Installation Agreement, in a form acceptable to the City Attorney. Per the terms of the agreement, SiFi is expected to initiate fiber network installation with the next 24 months and complete the project within 48 months.

POLICY / RULE

The City Council is the sole authority for entering into agreements between the City and any other party.

ANALYSIS

Prior to the December 14 meeting the Public Works Department reached out to the three cities that are currently in the construction phase of their agreement with SiFi Networks:

1. City of Fullerton, CA. Fullerton was the first City to execute an agreement with SiFi (2014) and is roughly one-third of the way to completion. As the first partner in such a new construction technique and technology, they have had numerous issues and have had to make several adjustments along the way. Most of the issues identified by staff were tied to the performance of the contractor, not SiFi, including the behavior of some of the contractor's personnel and the subsequent, negative public reaction. The current contract is being terminated and a new contractor will come in early next year to finish the project. The poor performance of the first contractor required that SiFi improve their Quality Assurance/Quality Control (QA/QC) methods, and Fullerton requires monthly coordination meetings.
2. City of Salem, MA. Salem initiated their agreement with SiFi in 2018 and were held up to some degree by the Covid-related shutdowns. They are currently wrapping up a

small pilot program wherein they are having SiFi's contractor perform the microtrench/conduit install in a short (2,000 lineal foot) section to see what issues they will encounter. Given that Salem is a 500-year old community, with some roads that were constructed and re-constructed over that span of time using a variety of materials, they are encountering unexpected conditions. It has been a learning experience for both Salem staff and SiFi; in some cases, the contractor was making field deviations without notifying the City, as with the Fullerton experience, SiFi was required to improve their QA/QC methods.

3. City of Placentia, CA. Placentia learned some lessons from Fullerton's experience; nevertheless they are only 20 percent complete after starting construction in July 2021, and have had to amend their agreement with SiFi to reflect lessons learned. They have required that SiFi provide a full-time customer service representative who can be contacted by the community regarding any complaints. Placentia has also required that SiFi reimburse the City for the cost of an independent construction inspector.

All three staff contacts acknowledged that it has been a difficult process and that there have been challenges and frustrations, but in all three cases they felt that the potential benefit to the community is worth it. Covid-related shutdowns and supply chain disruptions have also impacted their schedules, but these are issues outside of the control of SiFi, their contractors, or City staff.

Staff also reached out to major employers/technical partners in Folsom to gauge the value to their companies of a citywide broadband fiber network and their thoughts on the project in general. The firms contacted by staff were:

- Intel Corporation
- PowerSchool
- Safe Credit Union
- Micron
- AT&T

The general consensus of these stakeholders was that the addition of a citywide fiber network may not create new, technological opportunities that they are currently aware of. Safe Credit Union did however note that it could serve as a redundancy/diverse path in case their current fiber services are disrupted.

Most of the stakeholders concurred that access to broadband internet would be a valuable asset for their employees working remotely from home, and a good investment by the City for the general public's benefit. PowerSchool also noted that for smaller employers using shared internet connectivity, the addition of fiber-based broadband could improve latency.

Since December, SiFi has launched their Fiber Network Installation in the City of Rancho Cordova, and has executed agreements with the cities of Pico Rivera, Lynwood, Corona, and Downy – bringing them to a total of twelve partnerships in the State of California with another

seven cities currently considering agreements with SiFi. There are currently three ISPs actively competing on SiFi networks: Ting, GigabitNow, and Flume.

Scott Bradshaw, President of SiFi, and John Marchuk, SiFi's local Project Manager, will be in attendance to respond to any questions regarding their company or the proposed agreement.

FINANCIAL IMPACT

Per the agreement, SiFi will install the fiber optic network at no cost to the City. SiFi also agrees to pay all City plan check fees, permit fees, inspection fees and any other applicable fees.

ENVIRONMENTAL REVIEW

This program is exempt from the requirements of the California Environmental Quality Act per Section 15303, New Construction of Small Structures, and Section 15304, Minor Alterations to Land.

ATTACHMENTS

1. Resolution No. 10838 - A Resolution Authorizing the City Manager to Execute a Fiber Network Installation Agreement with SiFi Networks Folsom LLC for the Installation of a Fiber Optic Network in the City of Folsom
2. Fiber Networks Installation Agreement between SiFi Networks Folsom LLC and City of Folsom

Submitted,



Mark Rackovan, PUBLIC WORKS DIRECTOR

Attachment 1

RESOLUTION NO. 10838

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A FIBER NETWORK INSTALLATION AGREEMENT WITH SIFI NETWORKS FOLSOM LLC FOR THE INSTALLATION OF A FIBER OPTIC NETWORK IN THE CITY OF FOLSOM

WHEREAS, SiFi Networks Folsom LLC desires to install a fully privately funded fiber optic network in the City of Folsom; and

WHEREAS, the City of Folsom seeks, without City or public funds, to enable the deployment of fiber optic infrastructure for broadband for the City’s residents and businesses; and

WHEREAS, the provision of broadband to the City’s residents and businesses will stimulate economic development, encourage market competition, enable Smart City technological advancements, and support healthcare, education, transportation, and government; and

WHEREAS, the fiber optic network will also provide opportunities for additional Smart City services, including connected buildings, traffic signals and other City facilities; and

WHEREAS, if approved, the City would grant SiFi Networks Folsom LLC a license and encroachment permit to access the public right-of-way for the purpose of installing the fiber optic network; and

WHEREAS, the fiber network installation agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom hereby authorizes the City Manager to execute a Fiber Network Installation Agreement with SiFi Networks Folsom LLC for the installation of a fiber optic network in the City of Folsom.

PASSED AND ADOPTED this 12th day of April 2022, by the following roll-call vote:

- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

Attachment 2

FIBER NETWORKS INSTALLATION AGREEMENT

This Fiber Networks Installation Agreement is made this __ day of April, 2022 (“**Effective Date**”) as it may be extended or amended, the “**Agreement**”), between the City of Folsom, California, a municipal corporation (the “**City**”) and SiFi Networks Folsom LLC, a Delaware limited liability company (“**SiFi Networks**” or “**SiFi**”) (each sometimes referred to as a “**Party**” and collectively referred to as the “**Parties**”).

RECITALS

WHEREAS, SiFi Networks owns the rights to the FOCUS (as defined below) proprietary fiber optic cable system technology; and

WHEREAS, SiFi Networks desires to install a fully privately funded fiber optic network utilizing FOCUS in the City; and

WHEREAS, SiFi Networks has requested that the City grant a license and an encroachment permit to access and use the City’s Public Right-of-Way (“**Public Way**”, as defined below) for purposes of installing the FON (as defined below) in the City; and

WHEREAS, City seeks, without City or public funds, to enable the deployment of fiber optic infrastructure for broadband for the City’s residents and businesses, in order to stimulate economic development, to encourage market competition, to enable Smart City technological advancements, and to support healthcare, education, transportation agencies, government organizations, local business, and residential neighborhoods;

WHEREAS, the City is agreeable, without City or public funding, to grant to SiFi Networks a license and an encroachment permit to access and use the Public Way for SiFi Networks in order to install and operate the FON including a point of presence and/or a series of distributive cabinets and other equipment and materials in connection with the installation of the FON, pursuant to the terms and conditions set forth herein;

WHEREAS, the FON will provide opportunities for Smart City additional services, including but not limited to connecting buildings, traffic lights, and other City owned locations, to the City subject to a separate written mutual agreement between the Parties; and

NOW, THEREFORE, in consideration of the mutual obligations of the Parties, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties covenant and agree as follows:

SECTION 1

1. **Definition of Terms.**

1.1 **Terms.** For the purpose of this Agreement, the following terms, phrases, words, and abbreviations shall have the meanings ascribed to them below.

“**Access**” means facilitation of City permitted encroachments for specified areas within the Public Way.

“**Boundary**” means the legal boundaries of the City as of the Effective Date, and any additions or subtractions to the City legal boundaries, by annexation or other legal means.

“**Cabinets**” means above ground enclosures placed within the Public Way for the protection of active and passive equipment for the provision of Service throughout the System and as further described in Exhibit A.

“**Chambers**” means underground enclosures placed within the Public Way facilitating access to the active and passive equipment for the provision of Service throughout the System.

“**Commencement Date**” means the date that Substantial Completion, as that term is defined herein, of the System has been achieved.

“**Construction**” means breaking ground for the installation of the System.

“**Construction Contractor**” or “**Contractor**” means the construction company(ies) performing the physical work for or on behalf of SiFi Networks.

“**Drop**” means the fiber optic cable run from the edge of the Public Way to the Premises Wall.

“**Facility**” means the secure space/s that the City agrees to make available to SiFi Networks during the Term for the installation of Shelters and Cabinets.

“**FOCUS**” means SiFi Networks’ trademarked FOCUS™ system including the patented Wastewater Fiber Technology, know-how and other proprietary rights, comprising, among other things a combination of blown fiber, aerial, wastewater and other conventional techniques to enable multi gigabit technologies.

“**FON**” means SiFi Networks’ fiber optic network built by utilizing a combination of blown fiber, aerial, wastewater and/or other conventional techniques and may also include using the FOCUS™ design, as well as electronics to enable multi gigabit technologies.

“**Hazardous Materials**” means (i) any hazardous or toxic wastes, substances, or materials, and any other pollutants or contaminants, which are regulated by any applicable local, state or federal laws, including, but not limited to 33 U.S.C. Section 1251 et seq., 42 U.S.C. Section 6901 et seq., 42 U.S.C. Section 9601 et seq., 42 U.S.C. Section 7401 et seq., 42 U.S.C. 960 et seq., and the California Health and Safety Code Section 25100 et seq., and 25300 et seq., the California Water Code, Section 13020 et seq., or any successor(s) thereto: (ii)

petroleum; (iii) asbestos; (iv) flammable explosives; (v) polychlorinated biphenyls; and (radioactive materials).

“**Home**” means a residential single-family dwelling, or a residential single dwelling unit located within a Multiple Dwelling Unit, located within the Boundary.

“**Multiple Dwelling Unit**” means an apartment building or other building containing more than one dwelling unit located within the Boundary.

“**Microtrenching**” means the process of cutting a trench with a dry cut machine and reinstated with cementitious slurry fill as specified in Exhibit A.

“**Pass**” or “**Passes**” means the duct or Chamber as parts of the System has reached to the curbside of a residential Premises, or the engineered point at or near a commercial Premises from which a Drop can be connected.

“**Person**” means any natural person or any association, firm, partnership, joint venture, corporation, limited liability company, or other legally recognized entity, whether for profit or not for profit, but shall not mean the City or SiFi Networks.

“**Premises**” means a Home, Multiple Dwelling Unit, office or other building located within the Boundary.

“**Premises Wall**” means the exterior of an outside wall of a Premises to which the fiber optic cable can be terminated.

“**Primary Premises**” means the Premises within the Boundary as of the Effective Date but excluding any Premises which SiFi cannot connect (i) because of a lack of a right to access and use the Public Way due to the City not possessing the right, title, interest or authority to permit SiFi to use and occupy the Public Way in order for SiFi to access such Premises, or (ii) because SiFi lack of a right to access any non-City owned property within the Boundary in order to access such Premises, or (iii) if there would be an incremental material cost to connect such Premises would be at least ten percent (10%) higher than the average cost to connect accessible by SiFi Primary Premises within the Boundary; provided that, (1) at least ninety-five percent (95%) of Premises within the Boundary are Passed, and (2) no Premises are excluded for any other reasons other than technical or cost reasons as described herein, or (iv) where such Premises already have a pre-existing fiber service available to them and do not desire SiFi to connect such Premises. SiFi shall not be required or obligated to make the System available to such Primary Premises described in (i) through (iv) in this definition and Substantial Completion determination shall not be impacted as a result. If any Premises are excluded under subsection (iii) above, City will have the option to request SiFi meet and confer regarding potential solutions, including the use of any City owned or controlled conduit, duct or other similar

facility, to Pass such Premises, which solutions would have to be mutually agreed in good faith and in writing between the Parties. **“Public Way”** shall mean City-owned public right-of-way, including the surface of, and the space above and below, existing now or in the future City owned land. Public Way includes City-owned public street, road, highway, parkway, driveway, freeway, lane, path, court, sidewalk, bridge, alley, boulevard, traffic signals, lamp post, public way, or other public right of way or easement including public utility easements dedicated utility strips, located thereon now or hereafter held by, granted or dedicated to or under the jurisdiction of the City within the Boundary. For the avoidance of doubt, the term **“Public Way”** shall also mean any easement now or hereafter held by the City within the Boundary for the purpose of public travel, or for utility service use.

“Release” when used with respect to Hazardous Material means any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any existing improvements or any improvements constructed hereunder, including the System.

“Service” means internet, voice, data, and video service or any combination thereof, provided by the City or another Service Provider over the System.

“Service Providers” means any entity, which enters into a contract with SiFi Networks to provide Services over the System.

“Shelter” means the above ground facility housing System equipment as further described in Section 4.2 and in Exhibit A hereto.

“Subscribe” means an agreement to receive from a Service Provider.

“Subscriber” means any Person (which for purposes of this definition shall include the City) that has entered into an agreement to receive or otherwise lawfully receives Service.

“Substantial Completion” means the date on which, the System has been installed such that it Passes the addresses of each of the Primary Premises and the System is capable of providing Service to each such Primary Premises (but for the lack of a Drop) or four (4) years post Construction being commenced, whichever event occurs first; provided, however, in the event that Substantial Completion is deemed to have occurred due to the expiration of four (4) years post Construction being commenced, SiFi shall use commercially reasonable efforts to complete, subject to the conditions in the proviso above, such construction as is necessary to provide service to all Primary Premises within a commercially reasonable time.

“System” means all parts of the FON system under and above ground in the City that is designed to support the delivery of Service to Subscribers,

including the fiber optic cable and its component parts and appurtenances, and the other cables, wires, components, facilities, cabinets, ducts, conduits, connectors, vaults, Chambers, telecom manholes, telecom manhole covers, pedestals, appliances, splitters, attachments, and other property, equipment, components, materials, apparatus and appurtenances to the FON system.

SECTION 2

2. Grant of License.

2.1 Grant of Temporary and Non-Exclusive License.

2.1.1 License to Use City Public Way. This Agreement sets forth the basic terms and conditions upon which SiFi is hereby granted a non-exclusive no cost, except for payment of applicable City fees, license, during the Term, to install, operate and maintain the System in the Public Way. The particular terms and location of each portion of the System shall be specified in the applicable permit approved by the City as described in Section 3.2 Permits and General Obligations. Provided SiFi Networks' is not in breach of this Agreement and the applicable permits, City grants to SiFi Networks a non-exclusive no cost license, during the Term, to erect, install, construct, repair, replace, reconstruct, maintain, operate or retain in, on, over, under, upon, across, or along any Public Way, the System, within the Boundary, and all extensions and additions thereto. SiFi Networks shall have the right to determine the final engineering design and location of all equipment and other parts of the System, subject to the City's prior written approval for their placement. Both Parties agree to cooperate during the design and permitting process and SiFi Networks must first disclose all engineering designs to the City for permit approval. Notwithstanding the foregoing, installation of the System and access to and use of the Public Way is subject to the applicable permit for a specific location. It is understood that SiFi's license to place the System is non-exclusive, except for the Facilities, but that upon issuance of the applicable permit, SiFi's use of the area specified therein shall not be unreasonably interfered by the City or its contractors. Further, in the event of a material breach of this Agreement by SiFi, SiFi's license granted under this Agreement and the particular permit are revocable only if SiFi Networks fails to cure any alleged breach as described in Section 8.1, prior to the expiration or earlier termination of this Agreement.

2.1.2 Abandonment of the System upon Termination of Agreement. Upon the expiration or termination of this Agreement, SiFi Networks shall have the right, but not the obligation, to remove from or abandon in place all or any part of the System in the Public Way. Any part of the System abandoned by SiFi Networks as described in this Agreement shall become the property of the City. Within ninety (90) days prior to the expiration or termination of this Agreement, SiFi must notify the City in writing of its intent not to abandon the System. Failure to provide such written notice within the time specified shall be deemed abandonment upon the expiration or termination of the Agreement.

2.2 **Term of Agreement.** This Agreement shall become effective upon the execution and delivery of this Agreement by the Parties (the “**Effective Date**”). The term of this Agreement shall commence on the Effective Date and run until midnight on the date that is thirty (30) years after the Commencement Date (the “**Initial Term**”). No later than one year prior to the expiration of the Term, SiFi may submit a request in writing that the City approve renewing this Agreement for an additional term of fifteen (15) years, commencing on the thirtieth (30th) anniversary of the Commencement Date (“**Renewal Terms**,” and, collectively with the Initial Term, the “**Term**”), which approval shall not be unreasonably withheld. If SiFi Networks elects to not renew this Agreement the System will be deemed abandoned and shall become the property of the City.

2.3 **License to City-owned property.**

(i) City hereby grants, at no additional charge, to SiFi, and its licensees, successors, lessees, transferees, and assigns, a revocable non-exclusive license during the Term of the Agreement (“License”) to enter and occupy portions of the City-owned property in or outside of the Public Way for up to two (2) specific locations as further described in Section 4.2 and from the System in the Public Way to each of the Facilities, which locations will be mutually agreed upon in writing and in good faith between the City and Licensee (the “License Area”), for the purposes of erecting, installing, constructing, operating, repairing, replacing, reconstructing, removing, maintaining, using and retaining said System, including, without limitation, wires, cables, ducts, conduits, connectors, vaults, manholes, manhole covers, fencing, pedestals, appliances, splitters, attachments, and other property, equipment, components, materials, apparatus and appurtenances to the System and the Facilities (the “Improvements”). This License is subject to easements, covenants, conditions, and regulations in existence as of the date hereof.

(ii) Subject to easements, covenants, conditions, and regulations in existence as of the date hereof, SiFi shall be permitted to use microtrenching for fiber optic cables and make such alterations to the License Area as approved, which approval shall not be unreasonably withheld, delayed, or conditioned, by the City to erect, install, construct, repair, replace, reconstruct, remove, maintain, operate, and use, the System including, without limitation, the Improvements, and adding and moving electrical lines and other utilities and apparatus. SiFi shall be responsible for all costs incurred in the alterations. All construction, installation, maintenance and repair of the License Area shall be conducted so as to interfere as little as practicable with City’s use and operation of the Public Way. The installation of the System and alterations by SiFi in the License Area shall be done in a good and workmanlike manner by competent personnel or contractors, and except for the specifications and construction techniques approved in this Agreement, in conformity with all applicable permits, licenses, ordinances, laws and regulations, free from any liens for labor or materials, and subject to final inspection and approval by the City. Any damage to the License Area caused by reason of the exercise of SiFi’s rights

hereunder shall be corrected within a reasonable time by SiFi at its sole cost and expense.

- (iii) SiFi will maintain the Improvements in accordance with this Agreement.
- (iv) SiFi shall not install or construct any other structures or improvements other than the Improvements and associated appurtenances described herein.
- (v) The Improvements installed within the License Area by SiFi shall be made at no expense to City. SiFi shall be responsible, and assume all costs, for any relocation or protection of any part of the System in the event the relocation or protection of the System is necessary due to changes in any Public Way at any time during the term of this Agreement.
- (vi) Other than SiFi's obligation to repair any damage SiFi or SiFi's contractors cause to the City's Public Way at its sole cost and expense, City, at its sole cost, shall operate, maintain and repair the Public Way so as to avoid damage or minimize adversely affecting the System and the License Area. City shall not make any modifications to, or alter, the License Area without prior written notice to SiFi.
- (vii) City, its agents, or assigns, or any utility company or City franchisee may at any time, enter upon the areas covered by this Agreement for the purpose of installing, maintaining, relocating, altering, enlarging, repairing, or inspecting any utility, facility, or public work thereon. City will not be liable to SiFi for any damages to the System, Improvements and Facilities.
- (viii) SiFi shall restore damaged or disturbed surfaces or underground utilities at or adjacent to the License Area to substantially the same as the original condition. Restoration shall be carried out immediately after construction. Any damage not repaired to the satisfaction of the City shall be a cause to suspend any operations within the City's limits by the party causing the damage until the repairs are satisfactory to the City.
- (ix) The System and all of its parts and components which are installed and constructed by SiFi in the License Area shall at all times be and remain the property of SiFi.
- (x) Except for the Facilities, City shall not unreasonably impede, disturb, interfere with, or restrict, SiFi's access to, use and possession of, the License Area.
- (xi) Notwithstanding any provision to the contrary, whenever possible SiFi shall not install any Improvement, when running parallel, within 3 feet from existing underground utilities, and further shall not install any Improvement above or on top of water or sewer pipelines except with express written authorization by the Environmental and Water Resources Department of the City.

(xii) Notwithstanding any provision to the contrary, in the event SiFi or its contractor damages water or sewer infrastructure, SiFi shall immediately notify the City and shall further make the repair, or cause to be repaired, the damaged infrastructure within 4 hours. At the City's sole and completion discretion, City may permit SiFi to pay City to make the necessary repairs at SiFi's sole cost and expense.

2.4 (xi) The terms, conditions and rights contained herein shall be covenants running with the land and shall remain in effect for as long as the Agreement remains in effect. Within thirty days after termination of this Agreement, SiFi shall remove any abandoned or unused Improvements from the Public Way. The terms and conditions contained herein shall bind, inure to the benefit of, and be enforceable by, City and SiFi, and their respective successors and assigns (including, without limitation, any and all successors to City in title to all or any portion of the Public Way).

2.4 City Accommodation. SiFi Networks acknowledges that this Agreement is entered into by the City to accommodate SiFi Network's request, that the City would not have entered into this Agreement had it been exposed to liability for damages from SiFi Networks, and that therefore and notwithstanding any provision to the contrary, SiFi Networks hereby waives any and all claims for damages against the City and its officers, agents and employees for breach of this Agreement. SiFi Networks further acknowledges that damages are not a remedy under this Agreement, and therefore and notwithstanding any provision to the contrary, SiFi Networks waives all claims for damages against the City and its officers, agents and employees in the event that this Agreement or any other permit or land use entitlement is: (1) not approved by the City or (2) is approved by the City but with new changes, amendments, conditions or deletions to which SiFi Networks is opposed.

2.5 **Exclusivity.** Until after the first anniversary of the Effective Date, the City shall not solicit any third party regarding any competing fiber optic cable system within the City's Boundary, subject to any obligation or requirements imposed upon the City in its capacity as a land use authority under federal or state law or regulation.

2.6 **Efficient Permitting Process.**

2.6.1 During the Term, the City shall endeavor to provide expedited, diligent review of all applications for permits by SiFi and/or its contractors, to the extent reasonably possible and to the extent permits are necessary, including permits or other necessary items for construction work on the System within the Public Way. The City acknowledges and agrees that expeditiousness in connection with permitting, licensing, and approval of the System is important to SiFi Networks' performance under this Agreement. Accordingly, the City agrees to endeavor to the process and

timeframes below in connection with all applications for permits by SiFi Networks and/or its contractors in connection with this Agreement:

(i) If possible, the City shall within two (2) business days of submittal by SiFi Networks and/or its contractors of an application or other request for a permit in connection with this Agreement provide written acknowledgment to SiFi Networks and/or its contractor confirming receipt of such submittal; and

(ii) If possible, the City shall within seven (7) business days of submittal by SiFi Networks and/or its contractors of an application or other request for a permit in connection with this Agreement acknowledge in writing that such application is properly submitted and complete, or in the event such application is not properly submitted and complete, provide SiFi Networks and/or its contractors with a detailed written explanation of any deficiencies. Upon curing any such deficiencies, the City shall undertake an expedited review of the application or other request for permit by SiFi Networks and/or its contractors in order to comply with this Section.

(iii) If possible, the City shall within fifteen (15) calendar days of submittal by SiFi Networks and/or its contractors of an application or other request for a permit in connection with this Agreement provide written notification of initial review and provide in writing to SiFi Networks and/or its contractors a detailed explanation of any additional information needed for the City to complete its review process. In the event no additional information is needed, the City shall so notify SiFi Networks and/or its contractors in writing.

(iv) If possible, the City shall within twenty-one (21) calendar days of submittal by SiFi Networks and/or its contractors of an application or other request for a permit in connection with this Agreement provide final approval and issue any necessary approval or permits to SiFi Networks and/or its contractors.

(v) The aforementioned timelines are subject to extension by City in the event information or document reasonably necessary or required to process the requested permit is not submitted by SiFi Networks or its contractors in a timely manner.

2.6.2 **Invoices and Payments.** SiFi agrees to pay all City permit review and processing fees (as set and adjusted by the City from time to time) associated with SiFi's work under and subject to this Agreement, including but are not limited to plan check fees, encroachment permit fees, inspection fees, and any other applicable fees for SiFi's work.

2.6.3 Permit applications shall be submitted by SiFi Networks in substantially the form required by the City. The engineering details provided in Exhibit A are a sample of typical details that may or may not change during the final engineering design process.

2.6.4 No permit, license, or other land use approval of any other approval requested by or required from SiFi Networks shall be unreasonably withheld, conditioned or delayed by the City. Furthermore, SiFi Networks shall have no liability for any of its obligations hereunder (except for payment of City fees), if the necessary permits, licenses or approvals are not issued by the City. City retains all rights to deny applications not meeting applicable laws, rules and regulations.

2.7 **Other City charges.** In recognition of the public benefit being served in encouraging and facilitating the construction of the fully privately funded SiFi's System and other valuable consideration and benefits to City and the public gained from and due to the System, City agrees that SiFi shall not have to pay for use of the Public Way. Except as expressly set forth herein, each Party shall bear and be responsible for all of its own costs, fees and expenses incurred in executing and performing this Agreement. The City agrees that this Agreement shall not require SiFi Networks to comply with or otherwise be subject to any obligations or liabilities as a grantee of a franchise under the City's municipal code, ordinances or similar laws. The City agrees that City bonding and insurance requirements will be satisfied by bonds and insurance coverage provided as part of the encroachment permit application and supplied by the Construction Contractor (as principal) performing the construction of the System. Such bonds and insurance documentation to be supplied prior to the start of Construction. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section 2.6 will survive expiration or termination of this Agreement.

2.8 **Relocation, Modification, or Alternations.** Excluding relocations requested by the City pursuant to this Agreement and repairs or maintenance to the System, SiFi may not relocate, materially modify, or materially alter the System components any time after issuance of the permit(s) for the System, except upon City's written approval which approval will not be unreasonably withheld, delayed, or conditioned.

2.9 **SiFi's Maintenance Security.** As of the date of completion of construction of the work authorized by the first construction permit within the Public Way and on the first business day of each anniversary thereafter in order to support SiFi's obligations to restore the condition of the Public Way directly impacted by the construction of the System, SiFi will provide to the City and maintain or substitute throughout the Term of this Agreement, either of the following, at SiFi's sole option by providing ninety (90) days advanced written notice: (i) a maintenance bond in accordance with the City's bonding requirements, (ii) letter of credit from a bank of SiFi's choosing, or (iii) cash in escrow, subject to

a mutually agreed escrow agreement, in an aggregate annual amount not to exceed five hundred thousand dollars (\$500,000.00).

SECTION 3

3. The System.

3.1 **System Description.** SiFi Networks agrees to install the System within the Boundary using the Public Way, and further agrees to install, subject to a separate written agreement, the System to link at substantially below market rates City buildings and facilities including but not limited to traffic signals and municipal buildings within 4 years of commencement of Construction. The City will provide SiFi Networks a comprehensive list of locations and prioritization. The System shall use fiber optic cable emanating from the Shelter to the applicable Cabinet in the Public Way and then to the private Premises Wall for each applicable Primary Premise. The City acknowledges and agrees that SiFi Networks has the right to install the System within the Boundary using the Public Way in order to make the delivery of Service over the System available to all Premises within the Boundary. The Parties acknowledge and agree that there is no agreed design or configuration of the actual location of the System within the Public Way at this time and that SiFi Networks shall submit such designs specification, plan and associated details to the City for approval when ready. The City will work with SiFi Networks to approve the physical location of the fiber optic cable and other equipment and components of the System in, on, over, under, upon, across, or along the Public Way and from the Public Way to the Premises Wall.

3.2 **Permits and General Obligations.** SiFi is deemed to have approval to locate the System within the Boundary, subject to applicable permits including but not limited to encroachments, licenses, or other forms of plan review and approval or authorization necessary to construct, install, operate, maintain, replace, reconstruct, or repair the System, or any part thereof, during the term of this Agreement and any extensions. Nothing herein entitles SiFi Networks to access or encroach upon private property without permission of the property owners. SiFi Networks shall provide plans to the City for City approval for the issuance of permits to construct the System. Construction and installation of the System shall be performed in a safe manner using materials of good and durable quality. Other than for the construction techniques agreed in Section 4.1 and described in Exhibit A, all permits shall be subject to the provisions set forth in the City's latest Encroachment Permit and Construction Specifications listed at <https://www.folsom.ca.us/community/engineering/specs.asp> and unless otherwise stated in this document. Subject to compliance with the City's Noise Control Ordinance listed at <https://www.codepublishing.com/CA/Folsom/html/Folsom08/Folsom0842.html>, standard work hours will be daily from 7am to 7pm local time unless City has different requirements which must be provided to SiFi Networks in advance. All transmission and distribution structures and equipment installed by SiFi Networks for use in the System in accordance with the terms and conditions of this Agreement shall be

located so as to minimize interference with the proper use of the Public Way and the rights of property owners who own property that adjoin any such Public Way. SiFi Networks shall provide, or cause to be provided by its contractors, all necessary traffic control measures and warning signage for the protection of pedestrian and vehicular traffic. No installation in the City's Sewer and storm drainage system will be permitted. SiFi Networks will adhere to all City building code requirements; provided, however in the event of an inconsistency or conflict between the permits granted to SiFi Networks pursuant to this Agreement and the most current City building code provision, the City building code provision shall control other than for (i) the construction techniques agreed in Section 4.1 and described in Exhibit A, and (ii) previously constructed portions of the System.

SECTION 4

4. Construction and Facilities.

4.1 **Construction of the System.** SiFi Networks will use commercially reasonable efforts to commence Construction on or before a date that is twenty-four (24) months after the Effective Date (the "**Construction Commencement Deadline**"); provided however, in the event of a Force Majeure Event, the Construction Commencement Deadline shall be extended by the time impact resulting from the Force Majeure Event. In addition, SiFi Networks will use commercially reasonable efforts to complete construction of the System on or before a date that is forty eight (48) months after the Construction Commencement Deadline (the "**Construction Completion Deadline**"); provided however, in the event of a Force Majeure Event, the Construction Completion Deadline shall be extended by the time impact resulting from the Force Majeure Event. The timeline shall also be extended due to and for the length of any delay by the City in performing its obligations hereunder or issuing the permits, licenses and approvals to SiFi or its contractors. Both Parties recognize and agree that SiFi Networks cannot guarantee the Construction Commencement Deadline or the Construction Completion Deadline as many elements are outside of its control. SiFi Networks will keep the City informed of the progress of its schedule at reasonable intervals.

SiFi agrees it shall make reasonable efforts to collaborate and coordinate with City in the installation of the System ahead of planned asphalt overlay projects by City. Notwithstanding any provision to the contrary, SiFi Networks agrees that it will only use slot cut micro-trenching as set forth in the specifications set forth in Exhibit A to this Agreement for all work in the City's Public Way. City approves only the above referenced construction method and agrees to work cooperatively with SiFi Networks in reviewing all other potential construction methods; however, the City retains all rights to disapprove at the City's sole and complete discretion any other construction method it does not approve.

4.1.2 SiFi shall be solely responsible for all repairs, maintenance, and adjustments, and damages, caused by SiFi or its contractors, to the System and City-owned property used by SiFi Networks under this Agreement and not

caused by City's sole negligence or willful misconduct. The City shall be liable to the extent any loss or damages to the System or other SiFi property and equipment results from the sole negligence or willful misconduct of acts or omissions the City or its employees or contractors.

4.2 **Location of Equipment/Facilities.**

4.2.1 **Facilities.** During the Term and if approved by the City in accordance with this Agreement, the City shall permit SiFi Networks access and grant a License to and use of the Facilities on City-owned property, at market rate to SiFi Networks for the installation and operation of SiFi Networks' Shelters (approximately 1,000 square feet per location), distributed cabinets and other System equipment, components, parts, and other appurtenances for the System and related facilities, and from which the fiber optic cables will be deployed, and SiFi Networks shall pay all costs of electricity required for such Shelters.

4.2.2 **Shelters and Cabinets Location.** SiFi Networks agrees to provide engineering designs including intended locations of Shelters and Cabinets required for the System to the City prior to Construction in accordance with City's permitting process. The City and SiFi Networks agree to cooperate in the selection of suitable sites for the Shelters and Cabinets. However, City has sole and absolute discretion to reject a proposed location; provided that, the City will use reasonable efforts to consider suitable alternative locations.

4.3 **Subscriber Connections.**

4.3.1 **Fiber to the Premises Wall.** SiFi Networks will provide a terminated fiber to each Subscriber's Premises receiving a Drop in a manner to be determined by SiFi Networks. The location and the method of the Drop will vary depending on the circumstances of the location of the Subscriber's Premises.

4.3.2 **System Connection to the Premises Wall.** The following will apply to the connection to each Premises receiving a Drop:

(i) SiFi Networks or its designee shall be solely responsible for securing private property easement access rights necessary, advisable or appropriate to connect the System from the Subscriber property boundary to the Premises Wall. For the avoidance of doubt, in the event SiFi Networks cannot install fiber optic cable or other necessary equipment on private property because of a lack of a right to access the property, SiFi Networks shall not be required to make the System available to such Premises.

(ii) SiFi Networks shall have no duty to provide any additional connection after the terminated fiber has been taken to the ONT on the Premises Wall.

SECTION 5

5. **Oversight and Regulation by City.**

5.1 **Oversight of Construction.** In accordance with applicable law, the City shall have the right to oversee and inspect the Construction of the System in the Public Way.

5.2 **Compliance with Applicable Laws.** SiFi Networks shall, at all times during the Term, be subject to and comply with all applicable federal, state laws and local laws regarding the Construction of the System in the Public Way.

5.3 **Treatment of SiFi Provided Information.** The City agrees to notify SiFi Networks if the City receives a California Public Records Act request relating to SiFi Networks provided information and documents or the System.

SECTION 6

6. **Insurance.**

SiFi shall procure at its sole expense and maintain from the Effective Date and for the duration of the Term of the Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the SiFi, its agents, representatives, employees, or subcontractors.

6.1 **Minimum Scope and Limit of Coverage.**

Coverage shall be at least as broad as:

A. Commercial General Liability (CGL): Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit. Coverage shall include blanket contractual liability and broad form property damage, premises, operations, explosion, collapse, underground hazard (commonly referred to as "X", "C" and "U" coverages

B. Automobile Liability: Insurance Services Office Form CA 0001 covering Code 1 (any auto), with limits no less than \$1,000,000 per accident for bodily injury and property damage.

C. Workers' Compensation insurance as required by the State of California, with Statutory Limits, and Employers' Liability insurance with a limit of no less than \$1,000,000 per accident for bodily injury or disease.

D. Builder's Risk (Course of Construction) insurance utilizing an "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the project and no coinsurance penalty provisions.

E. Professional Liability with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate. The retroactive date must be shown, and this date must be before the execution date of the contract or the beginning of contract work. Insurance must be maintained, and evidence of insurance must be provided for at least five (5) years after completion of contract work. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective, or start of work date, the SiFi must purchase extended reporting period coverage for a minimum of five (5) years after completion of contract work. A copy of the claims reporting requirements must be submitted to the City for review.

F. Pollution Legal Liability and/or Asbestos Legal Liability and/or Errors and Omissions (if project involves environmental hazards) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate. If the services involve lead-based paint or asbestos identification/remediation, the Pollution Liability policy shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification/remediation, the Contractors Pollution Liability policy shall not contain a mold exclusion, and the definition of Pollution shall include microbial matter, including mold.

If the Contractor or SiFi maintains broader coverage and/or higher limits than the minimums shown above for all policies, the City requires and shall be entitled to the broader coverage and/or higher limits maintained by the Contractor or SiFi. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City to the extent necessary to cover any actual damages suffered by the City.

6.2 Self-Insured Retentions

Self-insured retentions must be declared to and approved by the City. At the option of the City, SiFi shall cause the insurer to reduce or eliminate such self-insured retentions as respects the City, its officers, officials, employees, and volunteers; or SiFi shall provide a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration, and defense

expenses. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City.

6.3 Other Insurance Provisions:

A. Additional Insured. The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL and automobile policy with respect to liability arising out of work or operations performed by or on behalf of SiFi including materials, parts, or equipment furnished in connection with such work or operations and automobiles owned, leased, hired, or borrowed by or on behalf of SiFi. General liability coverage can be provided in the form of an endorsement to the Sifi's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).

B. Primary and Non-Contributory Insurance. For any claims related to this project, SiFi's CGL and automobile insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the SiFi's insurance and shall not contribute with it.

C. Notice of Cancellation. SiFi shall provide immediate written notice if (1) any of the required insurance policies is terminated; (2) the limits of any of the required policies are reduced; (3) or the deductible or self-insured retention is increased. In the event of any cancellation or reduction in coverage or limits of any insurance, Sifi shall forthwith obtain and submit proof of substitute insurance.

D. Builder's Risk (Course of Construction) Insurance. SiFi may, if requested by the City, submit evidence of Builder's Risk insurance in the form of Course of Construction coverage. Such coverage shall name the City as a loss payee as their interest may appear.

If the project does not involve new or major reconstruction, at the option of the City, an Installation Floater may be acceptable. For such projects, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken, or destroyed during the performance of the Work, including during transit, installation, and testing at the City's site.

E. Acceptability of Insurers. Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the City.

F. Waiver of Subrogation. SiFi hereby agrees to waive rights of subrogation which any insurer of SiFi may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer. However, the Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Contractor, its employees, agents and subcontractors.

G. Verification of Coverage. SiFi shall furnish City with Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to City before the date of the start of Construction. However, failure to obtain the required documents prior to the work beginning shall not waive the SiFi's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements, required by these specifications, at any time.

H. Contractor/Subcontractors. SiFi shall require and verify that its Contractor and all subcontractors maintain insurance meeting all the requirements stated herein, and SiFi shall require its Contractor and all the subcontractors to list City as an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a form at least as broad as CG 20 38 04 13.

I. Special Risks or Circumstances. City reserves the right to modify, at any time, these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

SECTION 7

7. Parties' Obligations.

7.1 City Cooperation. City agrees to work in good faith with SiFi Networks as it applies to City for permits that may be required by City and in the event state or federal law or regulations prevents or precludes compliance with one or more provisions of this Agreement, or requires material modification of the Agreement, SiFi Networks shall promptly notify the City in writing of the anticipated duration of any delay caused thereby, and provided any such delay is not the fault of SiFi Networks, the parties agree SiFi Networks may seek an extension of this Agreement as approved by the City as may be reasonably necessary to comply with such new state and federal laws or regulations or the regulations of other governmental jurisdictions.

When reasonably able, City will provide SiFi Networks with a least thirty (30) days advance notice of any work in the Public Way that

requires the relocation of the System. In addition, where necessary, the City will provide SiFi Networks with an opportunity to access the System at the time of the excavation in the Public Way by others.

7.2 Obligations of SiFi Networks. In addition to all other duties and obligations contained elsewhere in this Agreement, SiFi Networks has the following duties and obligations:

- (i) Work closely with the SPOC of the City and relevant City departments with respect to the construction of the System.
- (ii) Comply with all requirements of City for permit and Public Way use applications, to the extent they may be required.
- (iii) Provide or arrange for the maintenance of the System and its functionality and operation.
- (iv) SiFi Networks and its contractors shall register with California DigAlert; and
- (v) SiFi Networks to relocate its facilities as needed for City capital improvement projects provided however that such City capital improvements project shall be limited to only those projects impacting, directly or indirectly, more than three hundred (300) contiguous feet of the System in the Public Way or the Sewer System (“Major Public Works Project”). Such Major Public Works Project(s) shall not include routine maintenance and repair that does not impact the System, including without limitation repair of pot holes, milling and repaving of roadways, and repair and replacement of sewer pipes and/or other aspects of the Sewer System. The City shall provide SiFi Networks with not less than sixty (60) days written notice of such Major Public Works Project, and SiFi shall temporarily relocate or cause to be relocated any of its impacted System within one hundred eighty (180) days of notification by the City at its sole cost and expense. In the event SiFi Networks determines in its sole discretion that such Major Public Works Project will have a material impact on the System such that it would be in the best interests of the Parties to temporarily or permanently relocate some or all of the System, the City agrees to provide all reasonable accommodations as reasonably requested by SiFi Networks and with no cost or charge by the City to SiFi Networks other than standard encroachment permit application and inspection fees, to allow and facilitate SiFi Networks the ability to temporarily or permanently relocate such portion of the System in or around the Public Way or Sewer System in a manner sufficient to maintain the operation of the System pursuant to the terms of the Agreement. SiFi Networks shall be responsible for the cost of any such temporary or permanent relocation of any portion of the System in connection with a Major Public Works Project.

(vi) SiFi Networks will endeavor to facilitate an introductory meeting between the City and Service Provider(s) who use the Network to provide services to residential and business, and further will advise any such Service Provider(s) that the City may require fees as required by law or regulation.

(vii) Provide response times in connection with repairs to be undertaken by SiFi Networks and/or contractors retained by SiFi Networks (as opposed to repairs to be undertaken by the City) and to establish the necessary personnel levels for required dispatch, repair, inventory, maintenance, and service of the System commencing no earlier than Substantial Completion as follows:

(i) Depending upon the type of fault or the method of identification, the City shall notify SiFi of a suspected fault and the generation of a service ticket. The City shall issue to SiFi one of the following service ticket(s), for which SiFi shall provide the corresponding response time:

(1) Standard Response (“STANDARD”)

a) Description: Construction in progress, capital improvement and other such projects impacting or potentially impacting the SiFi System and/or may impact the SiFi System, about which the City is aware of in advance. Examples of such projects include mill and fill projects, side relocations, road reclamation projects, and other similar projects, provided that any such STANDARD repair is subject to the then current California Dig Safe laws and regulations, and all other applicable laws and regulations.

b) SiFi’s contractor response time: On-site within forty-five (45) business days

(2) Non life threatening Emergency Response (“NON-LTER”)

a) Description: Curb and gutter projects, and utility (including telecommunications) projects requiring relocation, repair, or replacement that are impacted by the SiFi System and/or may impact the SiFi System, provided that any such NON-LTER repair is subject to the then current California Dig Safe laws and regulations, and all other applicable laws and regulations.

b) SiFi response time: On-site within seventy-two (72) hours

(3) Life Threatening Emergency Response (“LTER”)

a) Description: Break or hit in the main gas, main electric, main water, or main sewer line in the Public Way that has an immediate and direct impact to the traveling safety of the public in or around the Public Way, and wherein the City’s ability to implement repairs are impacted by the SiFi System and/or City repairs may impact the SiFi System.

b) SiFi’s contractor response time: On-site within four (4) hours

(ii) Upon receipt of a service ticket as set forth herein, SiFi will use reasonable efforts to dispatch a technician to the specified fault location as identified by the City. SiFi, working with the City, will then make the determination as to whether the technician will proceed with the repair(s) if possible, wait for arrival of a City contractor if necessary for investigation and/or repair of work, or leave the site.

SECTION 8

8. **Breach; Rights and Remedies; Termination; Indemnification.**

8.1. **SiFi Networks Breach or Default.** In the event the City believes that SiFi Networks has not complied with or is otherwise in default with regard to any term of this Agreement, the City shall promptly notify SiFi Networks in writing with specific details regarding the exact nature of the alleged noncompliance or default (a “**City Breach Notice**”).

8.1.1 **SiFi Networks' Right to Cure or Respond.** SiFi Networks shall have thirty (30) calendar days from its receipt of a City Breach Notice (the “**Initial SiFi Cure Period**”) to:

(i) respond to the City, contesting the assertion of noncompliance or default and in such event the Parties shall use commercially reasonable efforts to promptly resolve such contest and to the extent the Parties are unable to resolve such contest within thirty (30) calendar days of SiFi Networks’ response, each Party shall be entitled to seek any and all rights and remedies available to it at law or in equity to resolve such contest; or

(ii) cure an actual default or noncompliance; provided, however, in the event that the default is curable but due to the nature of the default or noncompliance, such default or noncompliance cannot be cured within the Initial SiFi Cure Period, so long as SiFi Networks initiates reasonable steps to remedy and continuously and diligently uses all reasonable efforts to cure such default or noncompliance promptly and notifies the City of the steps being taken and the projected date that they will be completed, the Initial SiFi Cure Period shall be extended for a reasonable amount of time to permit such cure but not to exceed sixty (60) calendar days from SiFi Networks' receipt of a City Breach Notice (the "**Extended SiFi Cure Period**") and together with the Initial SiFi Cure Period, the "**SiFi Cure Period**").

8.1.2 City Rights and Remedies.

(i) Except as provided in Sections 8.1.2(ii), (iii) and (iv) below which shall control in connection with the events described therein, if SiFi Networks fails to cure any actual noncompliance or default as provided in Section 8.1.1(ii) above within the SiFi Networks' Cure Period, the City may:

(a) seek specific performance of any provision of this Agreement which lends itself to such remedy as an alternative to money damages; or

(b) seek money damages from SiFi Networks; or

(c) in the event of the breach of, noncompliance with or default under any material term of this Agreement, terminate this Agreement and seek any and all rights and remedies available to it at law or in equity.

(ii) Subject to Section 10.2 below and provided that all applicable permits have been issued by the City, in the event SiFi Networks fails to commence Construction on or before the Construction Commencement Deadline in accordance with Section 4.1 above and subsequently fails to commence Construction within the SiFi Cure Period, the City may provide written notice to SiFi Networks of the City's intent to terminate this Agreement for such failure. SiFi Networks shall have an additional thirty (30) calendar day period after the SiFi Cure Period to commence Construction (the "**Additional SiFi Cure Period**"). If SiFi Networks fails to commence Construction by the last day of the Additional SiFi Cure Period, the City may terminate this Agreement by written notice to SiFi Networks and seek appropriate damages under this Agreement.

(iii) Subject to Section 10.2 below and provided that all applicable permits have been issued by the City, in the event SiFi Networks fails to complete construction of the System by the Construction Completion Deadline in accordance with Section 4.1 above and subsequently fails to complete said construction within the SiFi Cure Period, the City may provide written notice to SiFi Networks of the City's intent to terminate this Agreement for such failure. SiFi Networks shall have an additional thirty (30) calendar day period after the SiFi Cure Period to complete construction (the “**Additional SiFi Completion Cure Period**”). If SiFi Networks fails to complete said construction by the last day of the Additional SiFi Completion Cure Period, then SiFi Networks shall cease further construction but shall be allowed to operate the partially completed System.

(iv) Subject to Section 10.2 below and provided that all applicable permits have been issued by the City, at any time after Substantial Completion is achieved, in the event no internet, voice, data, or video service of any kind is capable of being provided over the System due solely to the acts or omissions of SiFi Networks for a period in excess of thirty (30) consecutive calendar days and SiFi Networks fails to restore such capability within the SiFi Cure Period, the City may provide written notice to SiFi Networks of the City's intent to terminate this Agreement. SiFi Networks shall have an additional thirty (30) calendar day period after the SiFi Cure Period to restore the capability of the System to provide Service (the “**Additional SiFi Service Cure Period**”). If SiFi Networks fails to restore the capability of the System to provide Service by the last day of the Additional SiFi Service Cure Period, then SiFi Networks shall cease further construction but shall be allowed to operate the partially completed System..

(v) Notwithstanding anything to the contrary in this Agreement, in no event shall the City be permitted to terminate this Agreement if the City is in breach of or default under this Agreement.

8.2 **City Breach or Default.** In the event SiFi Networks believes that the City has not complied with or is otherwise in default with regard to any term of this Agreement, SiFi Networks shall promptly notify the City in writing with specific details regarding the exact nature of the alleged noncompliance or default (a “**SiFi Breach Notice**”). The failure to promptly provide such notice, however, shall not act as a waiver of any rights and remedies of SiFi Networks hereunder unless and only to the extent that the City is materially prejudiced by such failure.

8.2.1 **City's Right to Cure or Respond.** The City shall have thirty (30) calendar days from its receipt of a SiFi Breach Notice (the “**City Cure Period**”); provided that the City Cure Period for a failure of the City to review permit applications and issue a permit(s) necessary to construct the System as

required under Sections 3.2 and 7.2.1(iv) (a “**Permit Issuance Breach**”) shall be seven (7) business days from its receipt of a SiFi Breach Notice) to:

(i) respond to SiFi Networks, contesting the assertion of noncompliance or default and in such event the Parties shall use commercially reasonable efforts to promptly resolve such contest and to the extent the Parties are unable to resolve such contest within thirty (30) calendar days of the City’s response, each Party shall be entitled to seek any and all rights and remedies available to it at law or in equity to resolve such contest; or

(ii) cure an actual default or noncompliance; provided, however, in the event that the default is curable but due to the nature of the default or noncompliance, such default or noncompliance cannot be cured within the City Cure Period, so long as the City initiates reasonable steps to remedy and continuously and diligently uses all reasonable efforts to cure such default or noncompliance promptly and notifies SiFi Networks of the steps being taken and the projected date that they will be completed, the City Cure Period shall be extended for a reasonable amount of time to permit such cure but not to exceed ninety (90) calendar days from the City’s receipt of a SiFi Breach Notice (the “**Extended City Cure Period**”); provided further, however, no Extended City Cure Period shall apply to a Permit Issuance Breach.

8.2.2 **SiFi Networks Rights and Remedies.** If the City fails to cure any actual noncompliance or default as provided in Section 8.2.1(ii) above within the applicable City Cure Period, SiFi Networks may:

(i) seek specific performance of any provision of this Agreement which lends itself to such remedy as an alternative to money damages; or

(ii) in the event of the breach of, noncompliance with or default under any material term of this Agreement, terminate this Agreement.

8.3 **Additional Rights to Terminate.**

8.3.1 At any time prior to commencing Construction or in the event the City fails to comply with the requirements of the Agreement, SiFi Networks shall have the immediate right, at its option, upon notice to the City to terminate this Agreement and shall be entitled to any and all other rights and remedies available to it at law or in equity, subject to the specific legal limitations SiFi Networks agreed to in this Agreement.

8.3.2 A Party shall have the right, at its option, upon notice to the other Party to terminate this Agreement if the other Party becomes (i)

insolvent, admits in writing its inability to pay its debts as they mature, makes an assignment for the benefit of creditors, or becomes subject to direct control of a trustee, receiver or similar authority, or (ii) subject to any bankruptcy or insolvency proceeding under federal, state or foreign statutes which is not rescinded or dismissed within thirty (30) calendar days.

8.4 **Indemnification.**

SiFi Networks shall defend, indemnify and hold the City, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner which actually or allegedly arise out of or are incident to any alleged intentional or negligent acts, errors, omissions, or willful misconduct of SiFi Networks, its officials, officers, employees, agents, contractors and subcontractors arising out of or in connection with the performance of the Services, the Project or this Agreement, including without limitation the payment of all attorney's fees and other related costs and expenses except where caused by the sole negligence, or willful misconduct of the City its officers, officials, employees and volunteers. SiFi Networks shall defend, at its own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against the City, its directors, officials, officers, employees, agents or volunteers. SiFi Networks shall pay and satisfy any judgment, award or decree that may be rendered against the City or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. SiFi Networks shall reimburse the City, its officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. SiFi Networks' obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City its officials, officers, employees, agents or volunteers. It is understood that the duty of SiFi Networks to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve SiFi Networks from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply, and shall further survive the expiration or termination of this Agreement. By execution of this Agreement, SiFi Networks acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

8.5 **Limitation of Liability.** IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, RELIANCE, OR PUNITIVE DAMAGES OF ANY KIND

OR NATURE WHATSOEVER, INCLUDING ANY LOST SAVINGS OR HARM TO BUSINESS. EACH PARTY HEREBY RELEASES THE OTHER PARTY AND ITS AFFILIATES AND THEIR RESPECTIVE DIRECTORS, OFFICERS, MANAGERS, MEMBERS, EQUITY AND DEBT HOLDERS, PARTNERS, EMPLOYEES, CONTRACTORS AND REPRESENTATIVES AND THEIR HEIRS, SUCCESSORS AND ASSIGNS, FROM CLAIMS FOR ANY SUCH DAMAGES. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section 8.5 will survive expiration or termination of this Agreement.

SECTION 9

9. Disputes.

9.1 For all claims, disputes or controversies arising out of, or in connection with, the breach, interpretation, application, or enforcement of this Agreement, or arising out of, or in connection with, the System which cannot be settled through negotiation, the Parties agree first to try in good faith to settle the matter by mediation in Sacramento County, California, prior to commencing litigation.

9.2 All claims, disputes or controversies arising out of, or in connection with, the breach, interpretation, application, or enforcement of this Agreement, or arising out of, or in connection with, the System, shall be decided in a court of law. The sole and exclusive venue for all claims, disputes or controversies arising out of, or in connection with, the breach, interpretation, application, or enforcement of this Agreement, or arising out of, or in connection with, the System, shall be in a state court in Sacramento County, California.

SECTION 10

10. Miscellaneous Provisions

10.1 Assignment. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and each of their respective successors and assigns as provided herein. The City shall not be permitted to assign, sell or transfer this Agreement, or its rights and duties under this Agreement, without the prior written consent of SiFi Networks, which consent shall not be unreasonably withheld, conditioned, or delayed. SiFi Networks shall have the right to assign, novate, sell, encumber, or transfer this Agreement and the System or any part thereof, without the consent of the City to Sifi's principal, affiliates, subsidiaries, subsidiaries of its principal or to any entity which acquires all or substantially all of the SiFi's assets in the market by reason of a merger, acquisition, or other business reorganization, provided such assignee, purchaser, or transferee has all appropriate licenses, to the extent SiFi's licenses, permits and approvals cannot be assigned or transferred, for the operation, management, and maintenance of the facilities contemplated herein and sufficient financial resources to fulfill all applicable terms and obligations under this Agreement. All other assignment, sale, or transfer by SiFi Networks of this Agreement shall require prior written consent of the City, which shall not be unreasonably withheld, delayed or conditioned. At least

thirty (30) calendar days prior to the effective date, or as soon as practicable, of any such assignment, sale or transfer, SiFi shall provide City with a fully executed copy of the assignment, sale or transfer document, signed by both Sifi and assignee/purchaser/transferee, indicating the assignee's/purchaser's/ transferee's assumption of all of SiFi's performance duties, liabilities and obligations under this Agreement. SiFi shall not be relieved of its performance duties, liabilities or obligations under this Agreement until City is in receipt, of a fully executed copy of the document evidencing such assignment of the obligations herein and the assignee's/purchaser's/transferee's assumption of SiFi's performance duties, liabilities, and obligations under this Agreement. Sifi may not otherwise assign this Agreement or the System without City's consent, City's consent not to be unreasonably withheld, conditioned, or delayed. Upon any such assignment, sale, transfer, or novation, SiFi Networks shall be released from all obligations and liabilities under this Agreement from and after the date of such assignment. SiFi Networks shall give the City thirty (30) days' advance notice of such assignment, sale, transfer or novation disclosing the identity of the Person to whom it has been assigned, transferred, sold or novated. The City agrees from time to time to promptly deliver (and in no event later than ten (10) days after request by SiFi Networks) to SiFi Networks an estoppel certificate addressed to the assignee, buyer or transferee designated by SiFi Networks, affirming for the benefit of such buyer, assignee or transferee the following (to the extent that the following are then true): the Agreement is in full force and effect; SiFi Networks is not in default thereunder; and such other matters as such assignee, buyer or transferee may reasonably request.

10.2 **Force Majeure.** Except as otherwise expressly set forth in this Agreement, SiFi Networks will not be held in default under, or in breach or noncompliance with, the provisions of this Agreement, nor suffer any enforcement or penalty relating to noncompliance or default (including termination, cancellation or revocation of this Agreement), where such noncompliance or alleged defaults occurred or were caused by any of the following events (each a "**Force Majeure Event**"): failure by the City to issue permit(s) required to construct the System or any part thereof to SiFi Networks or its contractor(s), failure by the City to comply with this Agreement, conduct by the City that materially interferes with SiFi Networks' ability to perform, labor strike, riot, war, earthquake, flood, hurricane, drought, tornado, unusually severe weather conditions, or other act of nature, labor disputes, failure of utility service necessary to construct the System, governmental, administrative or judicial order, or other event that is beyond SiFi Networks' reasonable control. Force Majeure Events also include work delays caused by waiting for utility providers to service or monitor their own utility infrastructure on which SiFi Networks' fiber optic cable and/or equipment may be deployed, as well as unavailability of materials and/or reasonably qualified labor to perform the work.

10.3 **Notice.** All notices and communications hereunder shall be in writing and shall be served upon the other party by hand delivery, nationally recognized overnight delivery service, United States certified mail, return receipt requested, electronic mail, or by facsimile with confirmed transmission and addressed as follows:

IF TO THE CITY:
City of Folsom
50 Natoma Street
Folsom, CA 95630
Attn: City Attorney

IF TO SIFI NETWORKS:
SiFi Networks
841 Apollo Street, Suite 470
El Segundo, CA 90245
Email: NOTICES@SiFiNetworks.com

or to such other address as such Party may hereafter specify for the purpose by notice to the other Party in the manner provided in this Section 10.3. All such notices, requests and other communications will be deemed received on the date of receipt if received prior to 5 p.m. on any business day in the place of receipt. Otherwise, any such notice, request or communication will be deemed not to have been received until the next succeeding business day in the place of receipt. Rejection or other refusal to accept or inability to deliver because of change of address of which no notice was given shall be deemed to be receipt of the notice.

10.4 **Entire Agreement.** This Agreement, including all Exhibits, embodies the entire understanding and agreement of the City and SiFi Networks with respect to the subject matter hereof. This Agreement supersedes all other agreements whether written, verbal, or otherwise between SiFi Networks and the City with respect to the subject of this Agreement.

10.5 **Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement (which other terms and provisions shall remain in full force and effect) or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

10.6 **Governing Law.** This Agreement shall be deemed to be executed in the State of California and shall be governed in all respects, including validity, interpretation and effect, and construed in accordance with, the laws of the State of California as applicable to contracts entered into and performed entirely within the State, irrespective of conflict of laws principles.

10.7 **Modification.** This Agreement shall not be amended or otherwise modified, in whole or in part, except by an instrument, in writing, duly executed by the City and SiFi Networks. For the avoidance of doubt, this Agreement cannot be amended or modified orally or by course of conduct, and no executory agreement, oral agreement or course of conduct shall be effective to amend or modify this Agreement in whole or in part.

10.8 **No Third Party Beneficiaries.** Nothing in this Agreement or in any prior agreement is or was intended to confer third party beneficiary status on any party or Person not a party to this Agreement including a member of the public.

10.9 **No Waiver of Rights.** Nothing in this Agreement shall be construed as a waiver of any rights, substantive or procedural that SiFi Networks or the City may have under federal or state law unless such waiver is expressly stated herein.

10.10 **No Rights to the System.** The City expressly agrees that, except as expressly set forth in this Agreement, it does not and shall not claim at any time any interest or estate of any kind or extent whatsoever in the System, throughout the term of this Agreement. Except as provided in Section 8.1.2 (iii) and Section 8.1.2 (iv) above, SiFi Networks shall, at all times, retain title to and ownership of the System and all future extensions of the System, and shall have the right to lease the System or parts thereof to a provider of internet, data, voice, video and other services.

10.11 **Representations and Warranties.**

10.11.1 The City represents and warrants to SiFi Networks that: (a) it has full authority (including the authority required by any applicable law, ordinance, rule or regulation) to enter into and perform this Agreement and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby are within the right, power and authority of the City and have been duly authorized by all necessary action on the part of City, (b) this Agreement has been duly executed and delivered by the City and it constitutes a legal, valid and binding agreement of the City enforceable against the City in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity) and (c) the execution and delivery of this Agreement by the City and its performance hereunder and thereunder will not violate any law, ordinance, rule, or regulation applicable to the City.

10.11.2 SiFi Networks represents and warrants to the City that: (a) it has full authority to enter into and perform this Agreement and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby are within the power and authority of SiFi Networks and have been duly authorized by all necessary action on the part of SiFi Networks, (b) this Agreement has been duly executed and delivered by SiFi Networks and it constitutes a legal, valid and binding agreement of SiFi

Networks enforceable against SiFi Networks in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity) and (c) the execution and delivery of this Agreement by SiFi Networks and its performance hereunder and thereunder will not violate any law, rule, or regulation applicable to SiFi Networks.

10.11.3 OTHER THAN EXPLICIT REPRESENTATIONS AND WARRANTIES MADE BY SIFI TO CITY, SIFI NETWORKS MAKES NO REPRESENTATIONS OR WARRANTIES TO THE CITY OR ANY PERSON WITH RESPECT TO THE SYSTEM (OR THE COMPONENTS THEREOF) AND HEREBY DISCLAIMS ANY AND ALL EXPRESS, IMPLIED, OR STATUTORY WARRANTIES, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AVAILABILITY, ERROR-FREE OR UNINTERRUPTED OPERATION, AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, COURSE OF PERFORMANCE, OR USAGE OF TRADE. TO THE EXTENT THAT SIFI NETWORKS MAY NOT AS A MATTER OF APPLICABLE LAW DISCLAIM ANY IMPLIED WARRANTY, THE SCOPE AND DURATION OF SUCH WARRANTY WILL BE THE MINIMUM PERMITTED UNDER SUCH LAW.

10.12 **Third Parties.** Nothing contained in this Agreement shall create a contractual relationship with, or a cause of action in favor of, a third party against either SiFi Networks or the City.

10.13 **No Partnership.** Nothing in this Agreement shall be construed to create a partnership, joint venture or agency relationship between the City and SiFi Networks or any other relationship other than a contractual relationship as expressly set forth in this Agreement. Neither Party shall in any manner act or indicate to any third party that is acting as the agent of the other Party. SiFi Networks shall at all times remain an independent contractor. Neither Party shall control or direct the day-to-day affairs of the other Party, or their mode or method of performing their respective obligations hereunder.

10.14 **Headings.** The headings and captions of this Agreement are solely for the convenience of the Parties and shall not be deemed to modify or vary any of the substantive terms thereof.

10.15 **Construction.** Each of the Parties acknowledge that each Party to this Agreement has been represented by counsel in connection with this Agreement. Legal or equitable principles that might require the construction of this Agreement or any provision hereof against the party drafting this Agreement shall not apply in any construction or interpretation of this Agreement and is expressly waived. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of

this Agreement. The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Articles, Sections, and clauses are to Articles, Sections and clauses of this Agreement unless otherwise specified. Any singular term in this Agreement will be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they will be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

10.16 **Counterparts**. This Agreement may be signed in any number of counterparts, each of which will be deemed an original, with the same effect as if the signatures were upon the same instrument. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission (including PDF) shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

10.17 **Further Assurances**. Each Party agrees that it will execute and deliver such other documents and take such other action as may be reasonably requested by the other Party to effectuate the purposes and intention of this Agreement.

10.18 **No Waiver**. No provision of this Agreement may be waived unless such waiver is in writing and signed by the Party against whom the waiver is to be effective. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Fiber Networks Installation Agreement to be executed as of the day and year stated above.

CITY OF FOLSOM,
a municipal corporation

City Manager

Dated: _____, 2022

Approved as to form:

City Attorney

SIFI NETWORKS FOLSOM LLC,
a Delaware limited liability company

By: _____
Its: _____

Dated: _____, 2022

EXHIBIT A
SPECIFICATIONS, SHELTERS, CABINETS

EXHIBIT

SPECIFICATIONS-SHELTERS-CABINETS
FIBER CITY TYPICAL SPECIFICATIONS
2/9/2021

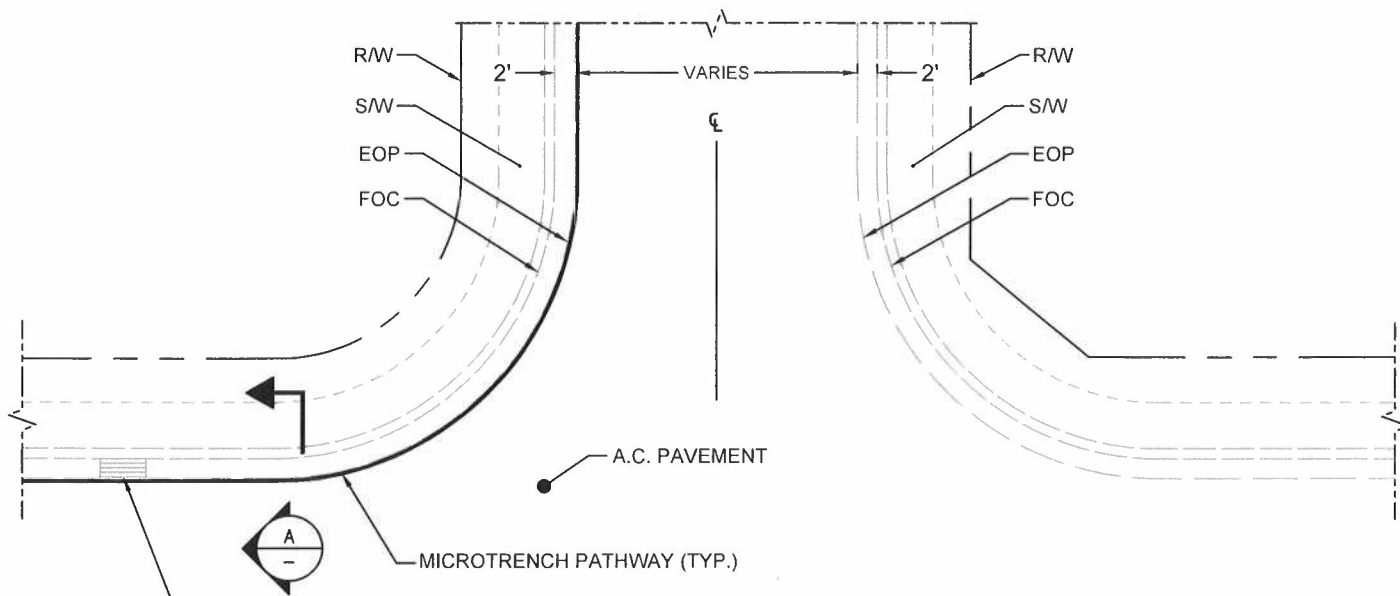


Name:	Name:
Position:	Position:
Date:	Date:
Signature:	Signature:

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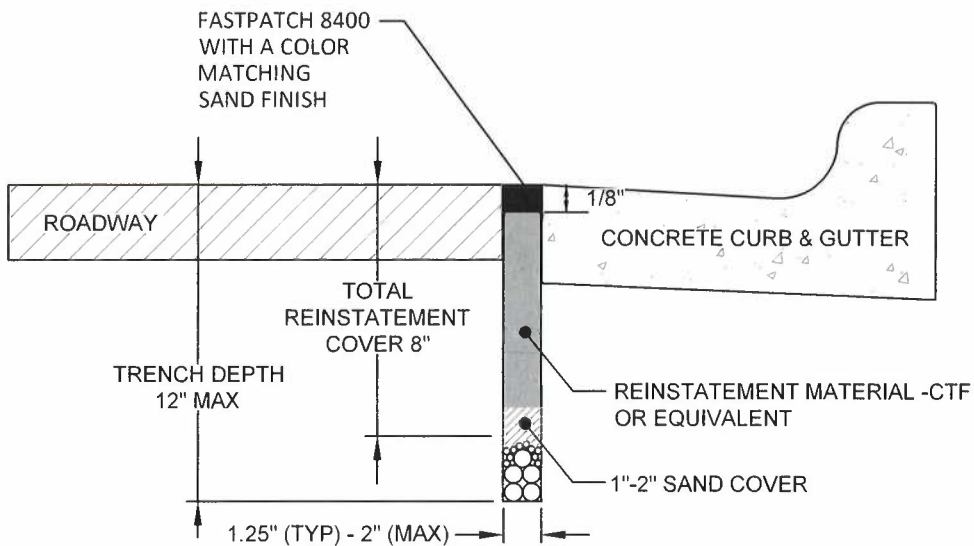
<u>Page Title</u>	<u>Page #</u>
Cover	1
Index	2
Ⓐ Roadway with a Curb Return	3
Ⓑ Roadway W/ Curb & Gutter Variant A	4
Ⓒ Roadway W/ Curb & Gutter Variant B	5
Ⓓ Roadway W/ Curb & Gutter Variant C	6
Ⓔ Roadway Street Crossing	7
Ⓕ 24x36x36 Standard Chamber/Inlet Protection	8
Ⓖ Typical Aggregation Shelter Plan/Elevation View	9
Ⓗ Typical Aggregation Shelter Plan Site Layout	10
Ⓘ Typical Cabinet Plan/Elevation View	11
Ⓝ Typical Cabinet Elevation View	12
Ⓚ 30x48x36 Cabinet & Aggregation Shelter	13
Ⓛ FAB Details	14
	15

ROADWAY WITH A CURB RETURN



CATCH BASIN (STORM DRAIN)
TREATED AS UTILITY CROSSING
SEE NOTE BELOW.

PLAN VIEW
SCALE: NTS

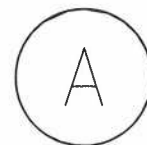


SECTION VIEW A-A

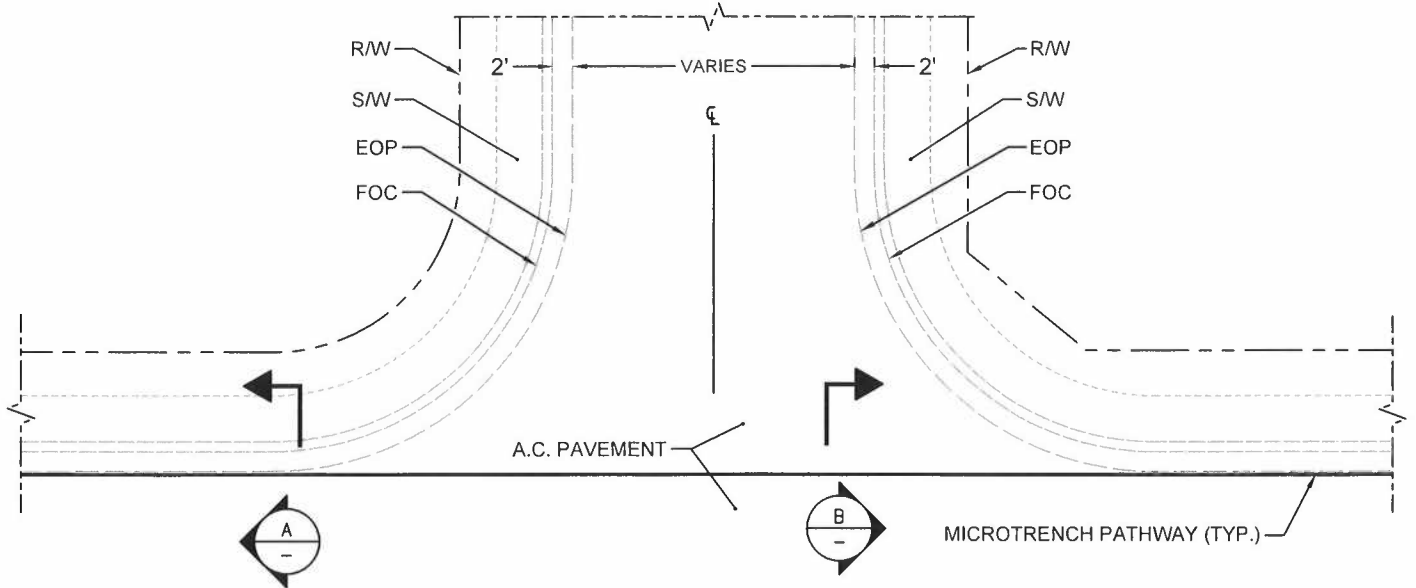


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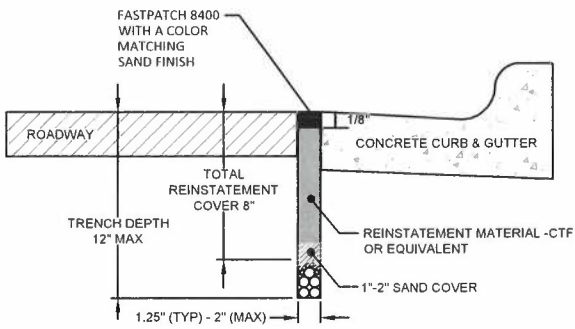
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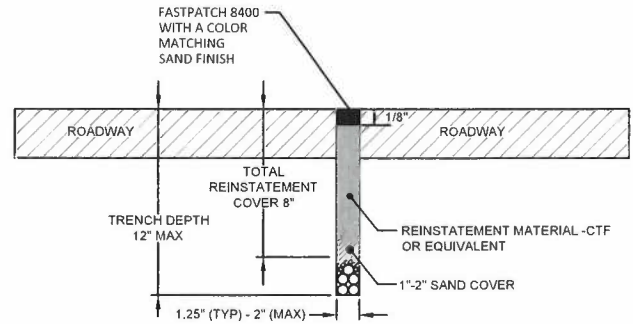
ROADWAY WITH CURB & GUTTER - VARIANT A



PLAN VIEW



SECTION VIEW A-A

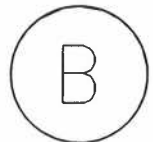


SECTION VIEW B-B

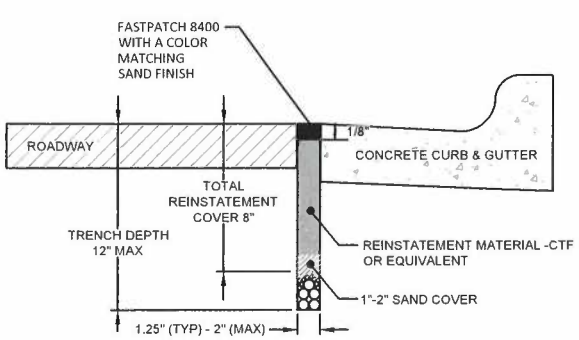
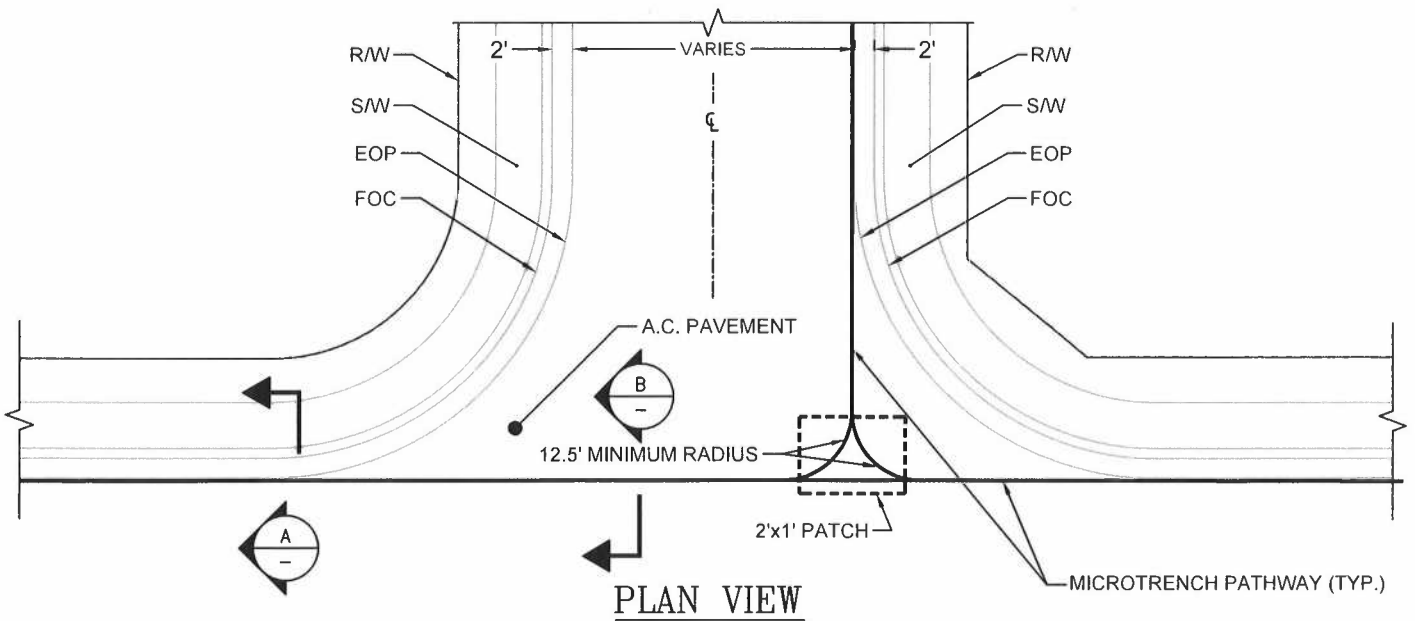


ROADWAY WITH A CURB RETURN VARIANT A

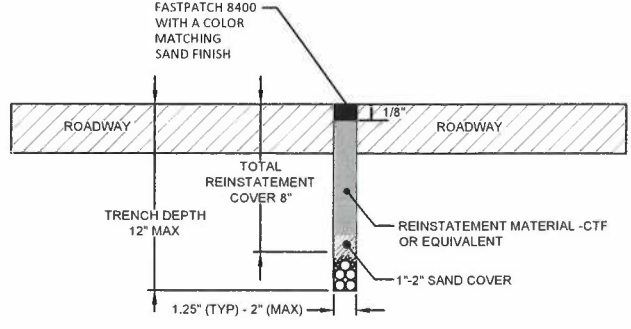
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ROADWAY WITH CURB AND GUTTER - VARIANT B



SECTION VIEW A-A



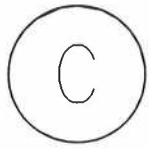
SECTION VIEW B-B



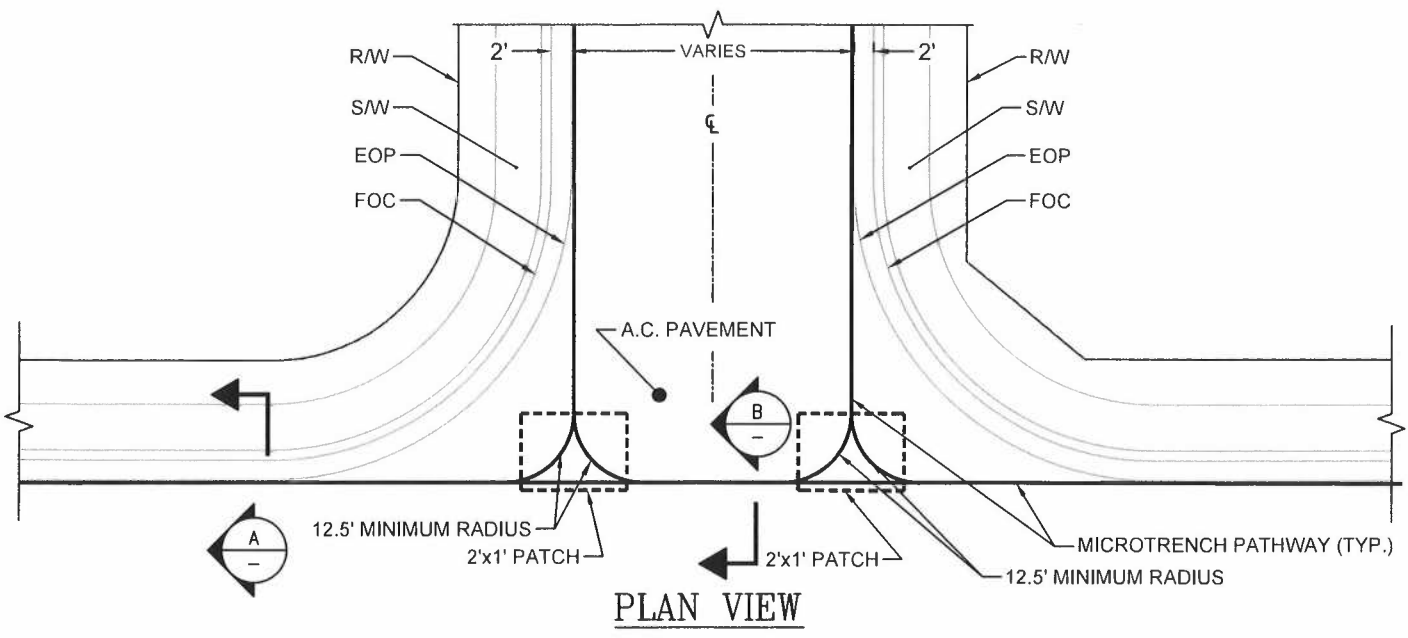
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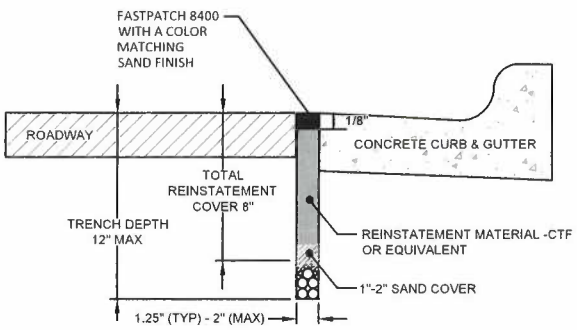
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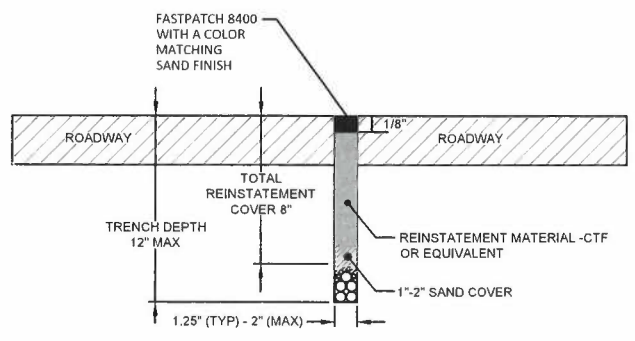
ROADWAY WITH CURB AND GUTTER - VARIANT C



PLAN VIEW



SECTION VIEW A-A

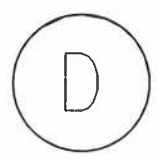


SECTION VIEW B-B

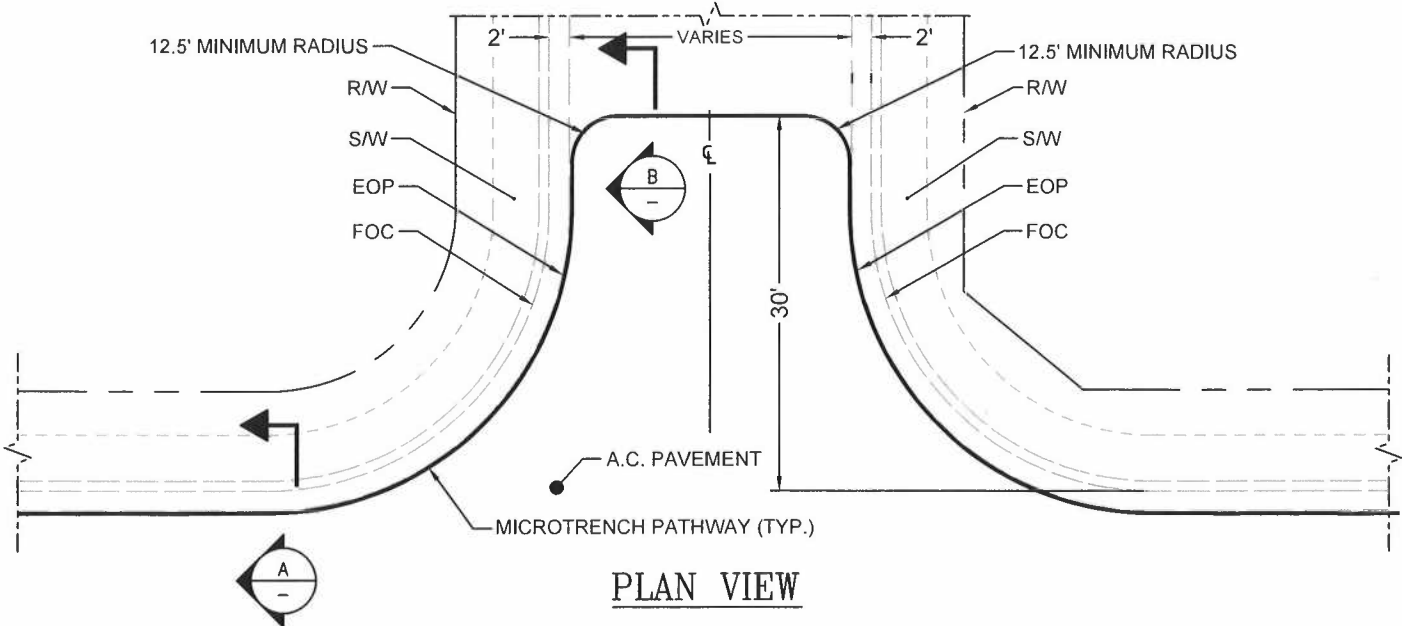


ROADWAY WITH A CURB RETURN VARIANT C

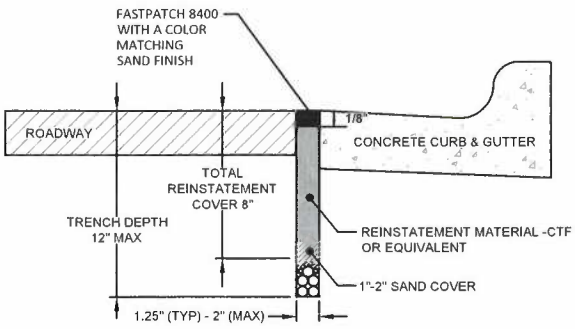
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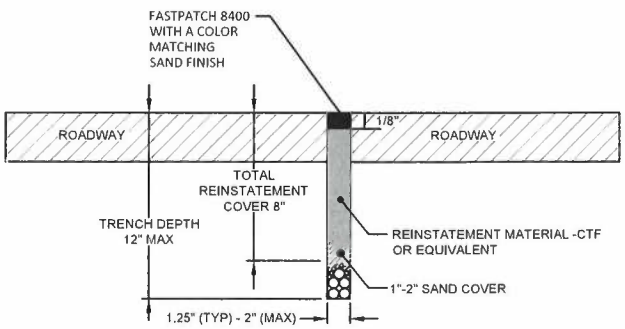
ROADWAY CROSSING



PLAN VIEW



SECTION VIEW A-A

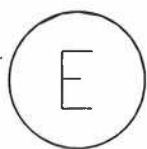


SECTION VIEW B-B



ROADWAY CROSSING

NO.	REVISIONS	BY	DATE
2	APPROVED RELEASE	RA	11/11/2020
STD DWG			
NOT TO SCALE		11/11/2020	0



STANDARD CHAMBER/INLET PROTECTION

FEATURES:

- 24" X 36" X 24" (open floor) (actual dimensions on drawing)
- CHAMBER – SHIELD X COVER- Tier 22 Load Rated (ANSI/SCTE 77: 2013)
- (2) Cover locking Auger bolts, Hex (9/16") or Penta (7/8") head with washer
- (2) Non-Seizing Fastening System, Field Replaceable
- (4) Embedded Composite Rack Support
- (2) Lifting slot equipped with stainless steel pin (slot is approximately 2 3/4" x 3/4")
- (2) Winterized Cable Drop slide (1 1/4" X 1 1/4")
- (1) Logo Disk

WEIGHT & SHIPPING:

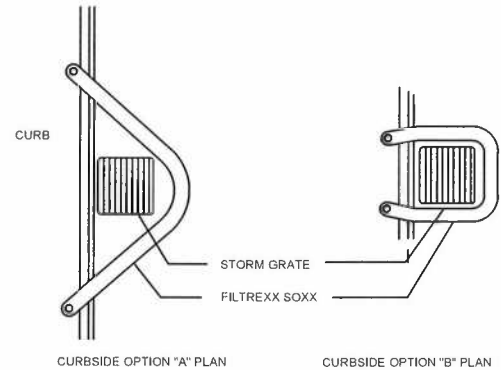
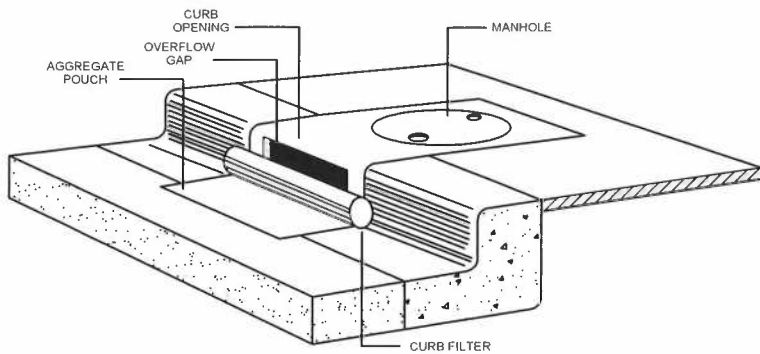
- Cover Weight: 47 lbs
- Box Weight: 55 lbs
- Assembly Weight : 102 lbs

PERFORMANCE TESTING:

- ANSI/SCTE 77: 2013 - TIER 22 Rated (33,750 lbs)
- AS3996 – Class C
- EN124 Class B125
- ASTM C1028-07 & AS-4586 (Slip Resistance)
- 10,000 Hour Xenon-Arc Exposure (No fiber-bloom)
- ASTM D635-06 (Flammability)

Inside Dimensions		
Length	Width	Depth
34 3/8" [873]	22 3/4" [578]	21" [533]

EXCESS SOXX MATERIAL TO BE DRAWN IN AND TIED OFF TO 2X2 WOODEN STAKE (TYP.)



INLET PROTECTION

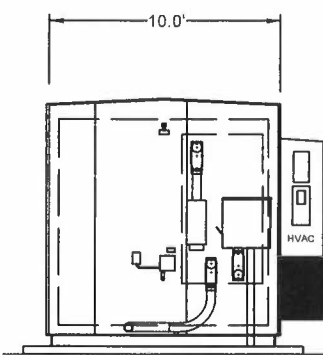
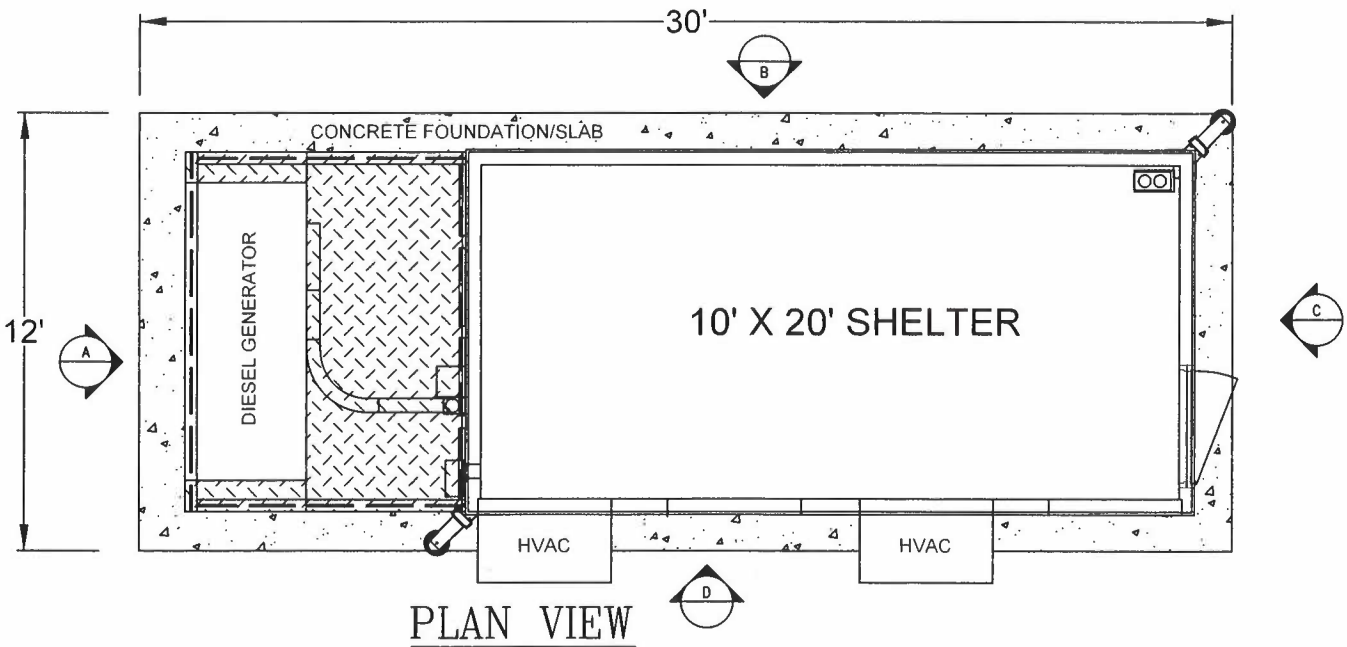


STANDARD CHAMBER/INLET PROTECTION

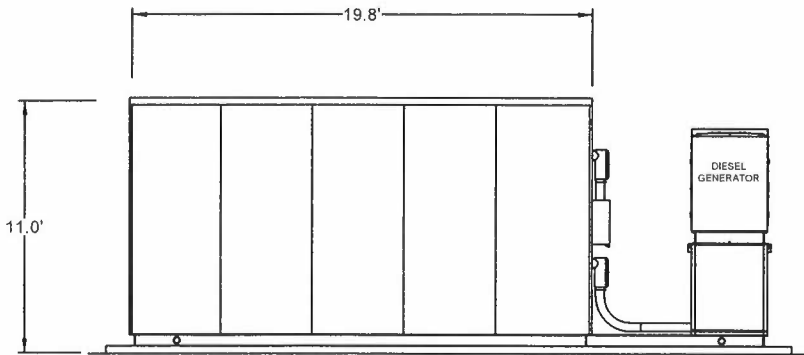
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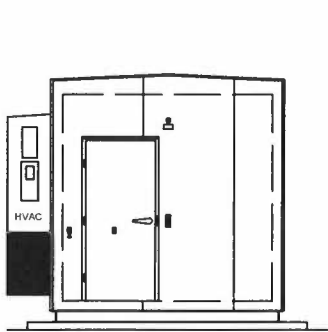
TYPICAL AGGREGATION SHELTER



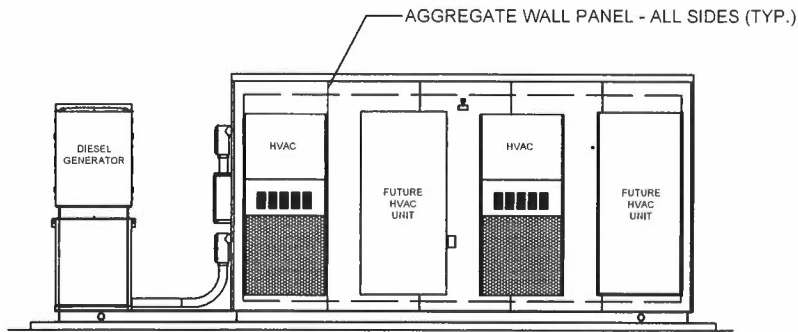
WALL "A"



WALL "B"



WALL "C"



WALL "D"

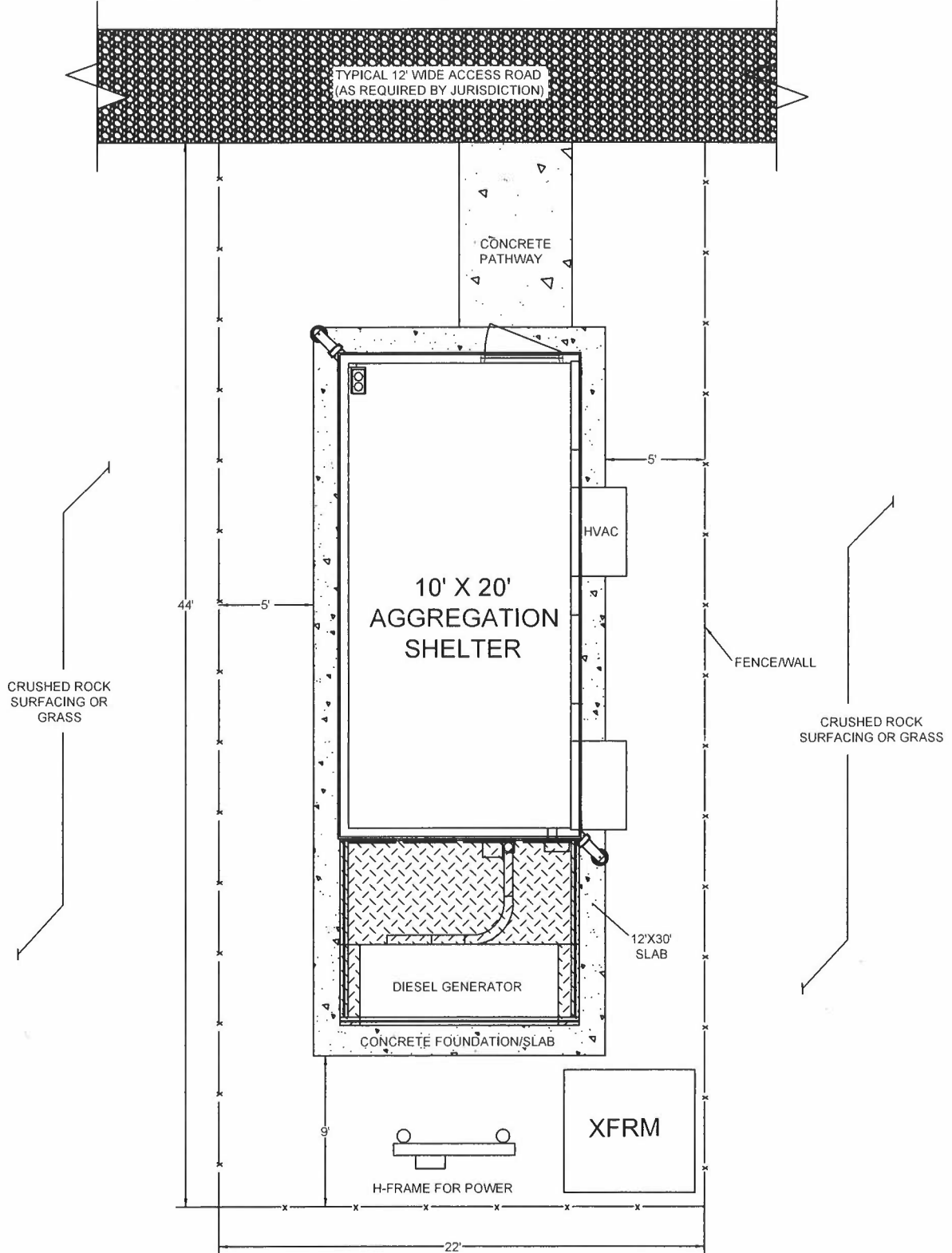


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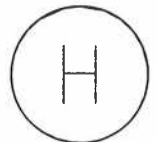


SITE LAYOUT

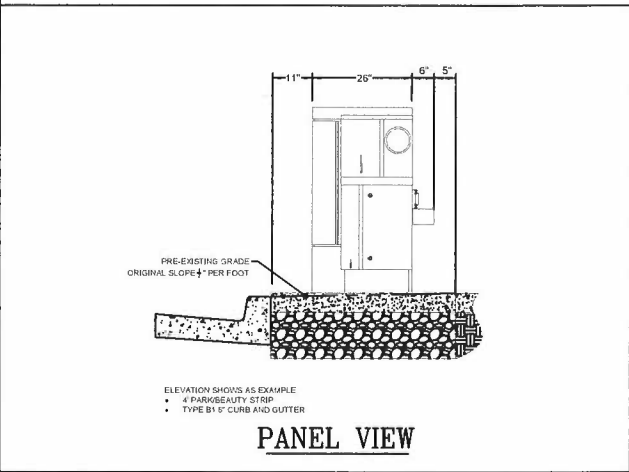
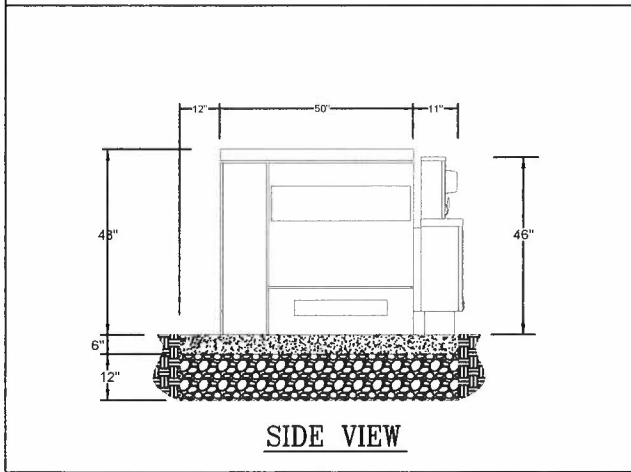
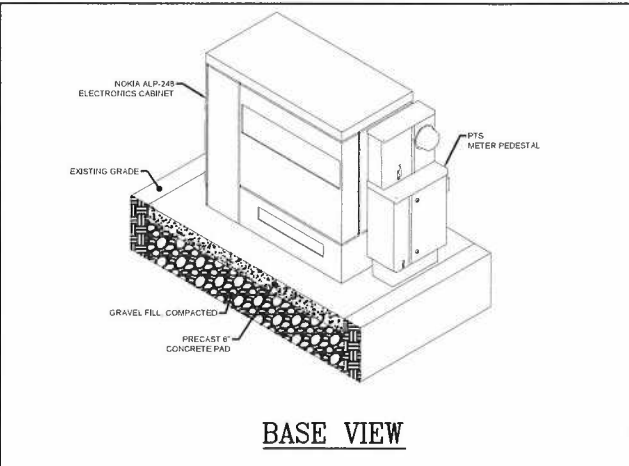
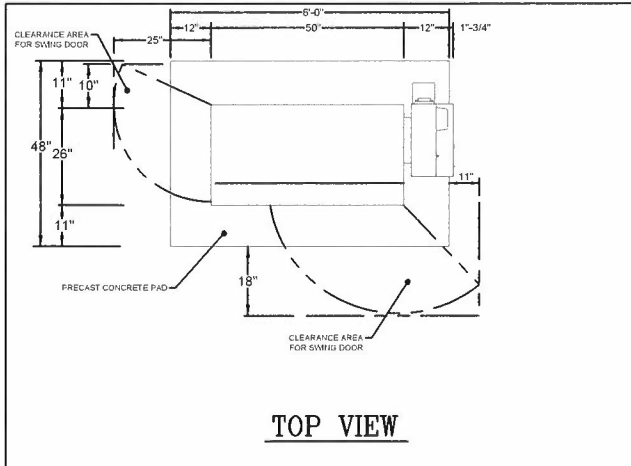
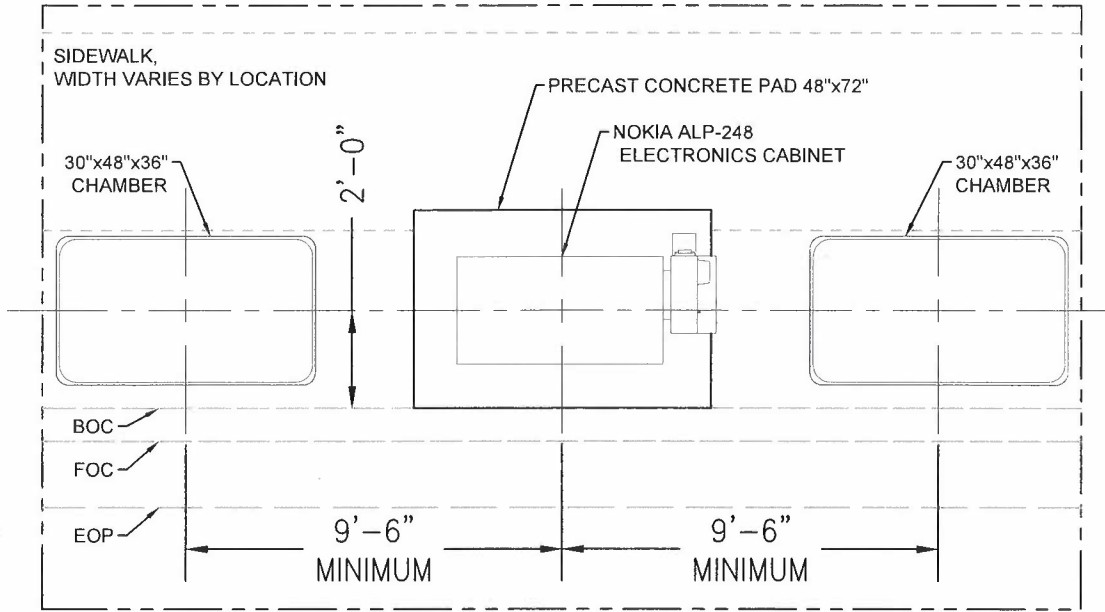


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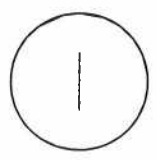


TYPICAL CABINET DETAILS



TYPICAL CABINET DETAILS

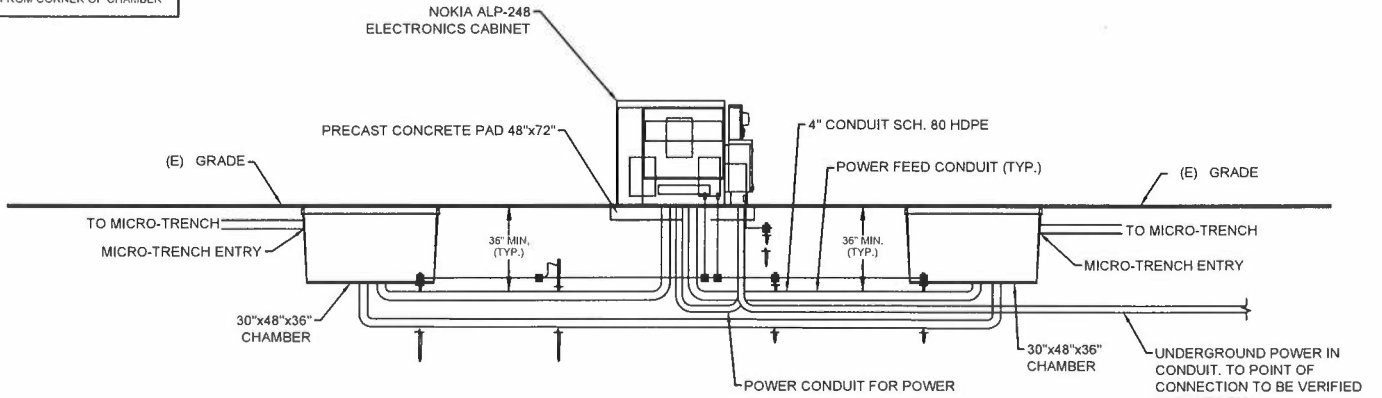
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2	APPROVED RELEASE	RA	11/11/2020
STD DWG			
NOT TO SCALE		11/11/2020	0



TYPICAL CABINET DETAILS

MICRO TRENCH ENTRY NOTE:

- 4" DIAMETER PENETRATION
- 9" DOWN FROM TOP OF CHAMBER
- 6" IN FROM CORNER OF CHAMBER

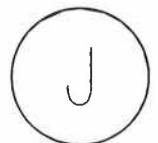


ELEVATION VIEW



TYPICAL CABINET DETAILS

NO.	REVISIONS	BY	DATE
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STD DWG			
NOT TO SCALE		11/11/2020	0



CABINET & AGGREGATION SHELTER

04/12/2022 Item No. 14.

FEATURES:

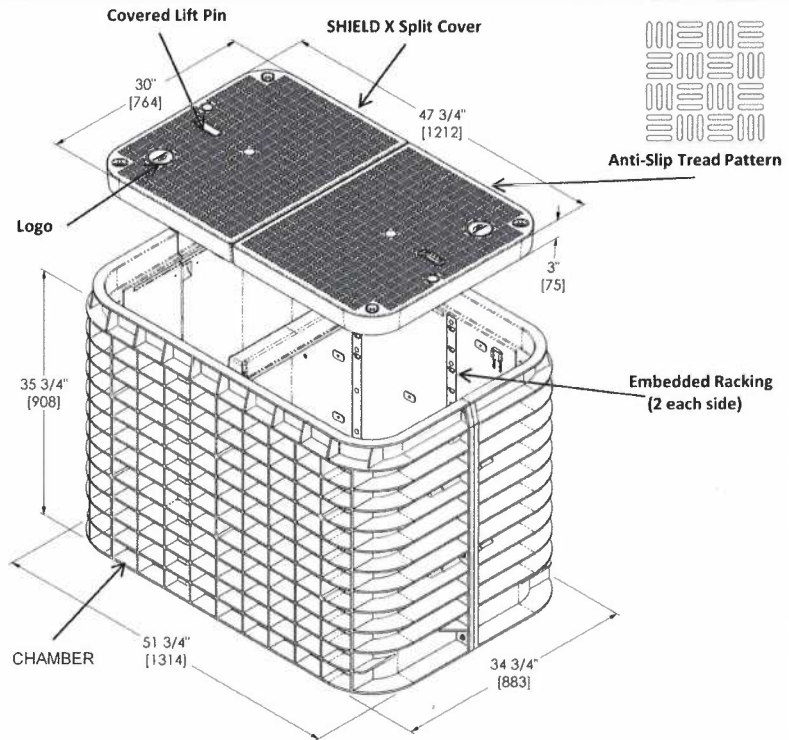
- 30" X 48" X 36" (open floor) (actual dimensions on drawing)
- CHAMBER – SHIELD X Split COVER- Tier 22 Load Rated (ANSI/SCTE 77: 2013)
- (4) Cover locking Auger bolts, Hex (9/16") or Penta (7/8") head with washer
- (4) Non-Seizing Fastening System, Field Replaceable
- (4) Embedded Composite Rack Support
- (1) Lifting slot equipped with stainless steel pin (slot is approximately 2 3/4"x3/4")
- (4) Winterized Cable Drop slide (1 1/2" X 1 1/4")
- (1) Galvanized Center Beam
- (2) Logo Disk

WEIGHT & SHIPPING:

- Cover Weight: 50 lbs (Per Half)
- Box Weight: 129 lbs
- Assembly Weight : 229 lbs

PERFORMANCE TESTING:

- ANSI/SCTE 77: 2013 - TIER 22 Rated (33,750 lbs)
- AS3996 – Class C
- EN124 Class B125
- ASTM C1028-07 & AS-4586 (Slip Resistance)
- 10,000 Hour Xenon-Arc Exposure (No fiber-bloom)
- ASTM D635-06 (Flammability)

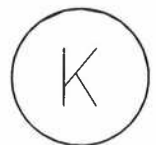


Inside Dimensions		
Length	Width	Depth
46 1/2" [1180]	28 3/4" [730]	32 3/4" [832]



CABINET & AGGREGATION SHELTER

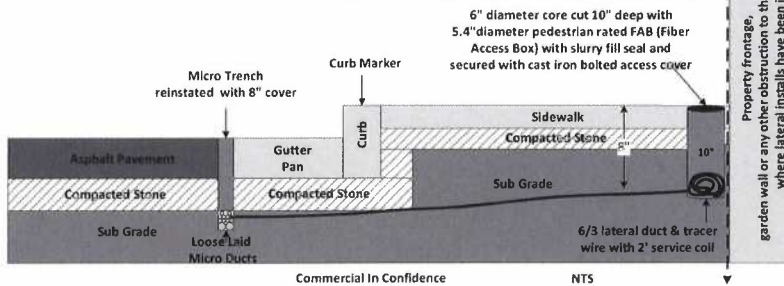
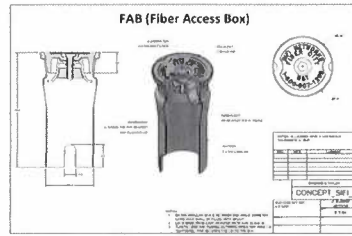
NO.	REVISIONS	BY	DATE
2	APPROVED RELEASE	RA	11/11/2020
STD DWG			
NOT TO SCALE		11/11/2020	0



FAB DETAILS

Hardscape Lateral Typical With FAB Installed At ROW Obstruction

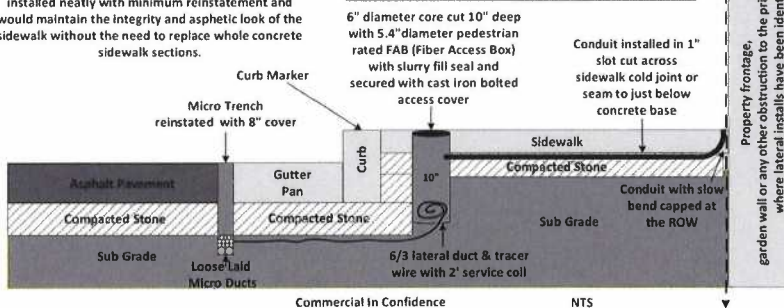
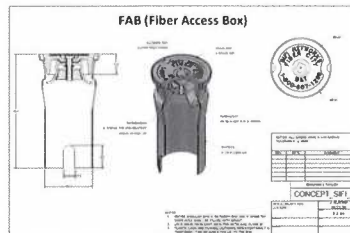
Lateral duct installation can either be installed by cutting a narrow micro trench from above, across the gutter pan curb & sidewalk & cold joint, or boring from the street beneath the gutter pan, curb & sidewalk. A neat 6" core cut at the edge of ROW 10" deep will allow FAB (Fiber Access Box) to be installed for ease of duct retrieval on service installs. This core cut would allow the FAB to be installed neatly with minimum reinstatement and would maintain the integrity and asphetic look of the sidewalk without the need to replace whole concrete sidewalk sections.



FAB AT ROW

Hardscape Lateral Typical With FAB Installed At Back Of Curb & Conduit Installed To ROW Obstruction

Lateral duct installation can either be installed by cutting a narrow micro trench from above, across the gutter pan curb & sidewalk & cold joint, or boring from the street beneath the gutter pan, curb. A neat 6" core cut at the back of curb 10" deep will allow FAB (Fiber Access Box) to be installed for ease of duct retrieval on service installs. To reach the ROW a slot cut would be made to just below the concrete base. A small conduit would then be installed to the ROW from the FAB with slow bend and cap for future use on drop installs when extending the lateral duct to the property through the pre installed conduit. This slot cut would be reinstated with and suitable fill in approval with DPW. This method would allow the FAB and conduit to be installed neatly with minimum reinstatement and would maintain the integrity and asphetic look of the sidewalk without the need to replace whole concrete sidewalk sections.

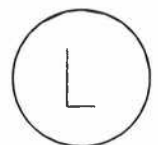


FAB AT BOC

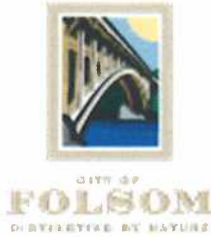


FAB DETAILS

NO.	REVISIONS	BY	DATE
2	APPROVED RELEASE	RA	11/11/2020
STD DWG			
NOT TO SCALE		11/11/2020	0



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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Old Business
SUBJECT:	Consideration of Expenditure of Funds from the American Rescue Plan Act and Direction to Staff
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

The Finance Director respectfully recommends that the City Council direct staff to allocate the remaining \$6,180,145 of available ARPA funds for expenditure under the allowable category of Provision of Government Services.

BACKGROUND / ISSUE

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021. ARPA established the Coronavirus State and Local Fiscal Recovery Fund. The program is intended to ensure that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, even amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

The City of Folsom's total allocation from the ARPA Coronavirus State and Local Recovery Fund is \$8,375,645.

On August 24, 2021, the City Council directed staff to appropriate \$2,195,500 of the City's total ARPA allocation to the General Fund under the allowable use category Provision of Government Services. Expenditure of the appropriated funds commenced during the 2021-22 fiscal year.

POLICY / RULE

Per sections 602(c)(1) and 603(c)(1) of the ARPA, funds may be used:

- a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or to aid impacted industries such as tourism, travel, and hospitality.
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

ANALYSIS

Within the eligible use categories stated above and outlined in the Fiscal Recovery Funds provisions of ARPA, state, local, and tribal governments have the flexibility to determine how best to use payments from the Fiscal Recovery Funds to meet the needs of their communities and populations.

In January 2022, the U.S. Department of the Treasury issued its final rule on the use of the Coronavirus State and Local Fiscal Recovery Funds. The final rule, which takes effect on April 1, 2022, delivers broader flexibility and greater simplicity to the program. Among other clarifications and changes, the final rule provides the features below:

Replacing Lost Public Sector Revenue

The final rule offers a standard allowance for revenue loss of up to \$10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount – in many cases their full award – for government services, with streamlined reporting requirements.

Public Health and Economic Impacts

In addition to programs and services, the final rule clarifies that recipients can use funds for capital expenditures that support an eligible COVID-19 public health or economic response. For example, recipients may build certain affordable housing, childcare facilities, schools, hospitals, and other projects consistent with final rule requirements.

In addition, the final rule provides an expanded set of households and communities that are presumed to be “impacted” and “disproportionately impacted” by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis. Further, the final rule provides a broader set of uses available for these communities as part of COVID-19 public health and economic response, including making affordable housing, childcare, early learning, and services to address learning loss during the pandemic eligible in all impacted communities and making certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities.

Further, the final rule allows for a broader set of uses to restore and support government employment, including hiring above a recipient’s pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives.

Premium Pay

The final rule delivers more streamlined options to provide premium pay, by broadening the share of eligible workers who can receive premium pay without a written justification while maintaining a focus on lower-income and frontline workers performing essential work.

Water, Sewer & Broadband Infrastructure

The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability, and adds additional eligible water and sewer infrastructure investments, including a broader range of lead remediation and stormwater management projects.

To provide the most flexibility for use of the City’s ARPA allocation, staff recommends appropriating the remaining funds under the allowable use category of Provision of Government Services (Replacing Lost Revenue).

As mentioned above, the final rule allows recipients to elect a “standard allowance” of up to \$10 million to spend on government services through the period of performance.

Under this option, which is newly offered in the final rule, Treasury presumes that up to \$10 million in revenue has been lost due to the public health emergency and recipients are permitted

to use that amount (not to exceed the award amount) to fund “government services.” The standard allowance provides an estimate of revenue loss that is based on an extensive analysis of average revenue loss across states and localities, and offers a simple, convenient way to determine revenue loss, particularly for SLFRF’s smallest recipients.

If the City Council desires to continue to use this category for the expenditure of the ARPA funds, the City would have considerable flexibility on what government services will be provided with the funding. This would allow for many needs that are expected to have to be passed up in the upcoming FY 2022-23 budget cycle to be reconsidered.

One notable restriction on the use of funds under the Provision of Government Services category is funds cannot be used to replenish reserves. The intention is that these funds be spent on current government services.

During the April 12, 2022, City Council meeting, staff will present a list of recommended items to be funded with the remaining ARPA funds under the category of Provision of Government Services and ask for City Council feedback and direction.

FINANCIAL IMPACT

As of April 12, 2022, the City has received \$4,187,823 of the total \$8,375,645 allocation. \$2,195,500 of the funding already received has been appropriated and added to the FY 2021-22 operating budget in the General Fund and designated for certain government services. The remaining \$6,180,145, if approved, would be allocated to the FY 2022-23 operating budget in the General Fund for certain government services.

The entire \$8,375,645 allocation must be obligated by December 31, 2024, and fully spent by December 31, 2026.

ATTACHMENT

1. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds:
Overview of the Final Rule

Submitted,



Stacey Tamagni, Finance Director/CFO
Office of Management and Budget



Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule

U.S. DEPARTMENT OF THE TREASURY

January 2022



U.S. DEPARTMENT OF THE TREASURY

The Overview of the Final Rule provides a summary of major provisions of the final rule for informational purposes and is intended as a brief, simplified user guide to the final rule provisions.

The descriptions provided in this document summarize key provisions of the final rule but are non-exhaustive, do not describe all terms and conditions associated with the use of SLFRF, and do not describe all requirements that may apply to this funding. Any SLFRF funds received are also subject to the terms and conditions of the agreement entered into by Treasury and the respective jurisdiction, which incorporate the provisions of the final rule and the guidance that implements this program.



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Introduction

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan, delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The program ensures that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, even amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

EARLY PROGRAM IMPLEMENTATION

In May 2021, Treasury published the Interim final rule (IFR) describing eligible and ineligible uses of funds (as well as other program provisions), sought feedback from the public on these program rules, and began to distribute funds. The IFR went immediately into effect in May, and since then, governments have used SLFRF funds to meet their immediate pandemic response needs and begin building a strong and equitable recovery, such as through providing vaccine incentives, development of affordable housing, and construction of infrastructure to deliver safe and reliable water.

As governments began to deploy this funding in their communities, Treasury carefully considered the feedback provided through its public comment process and other forums. Treasury received over 1,500 comments, participated in hundreds of meetings, and received correspondence from a wide range of governments and other stakeholders.

KEY CHANGES AND CLARIFICATIONS IN THE FINAL RULE

The final rule delivers broader flexibility and greater simplicity in the program, responsive to feedback in the comment process. Among other clarifications and changes, the final rule provides the features below.

Replacing Lost Public Sector Revenue

The final rule offers a standard allowance for revenue loss of up to \$10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount – in many cases their full award – for government services, with streamlined reporting requirements.

Public Health and Economic Impacts

In addition to programs and services, the final rule clarifies that recipients can use funds for capital expenditures that support an eligible COVID-19 public health or economic response. For example, recipients may build certain affordable housing, childcare facilities, schools, hospitals, and other projects consistent with final rule requirements.



In addition, the final rule provides an expanded set of households and communities that are presumed to be “impacted” and “disproportionately impacted” by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis. Further, the final rule provides a broader set of uses available for these communities as part of COVID-19 public health and economic response, including making affordable housing, childcare, early learning, and services to address learning loss during the pandemic eligible in all impacted communities and making certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities.

Further, the final rule allows for a broader set of uses to restore and support government employment, including hiring above a recipient’s pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives.

Premium Pay

The final rule delivers more streamlined options to provide premium pay, by broadening the share of eligible workers who can receive premium pay without a written justification while maintaining a focus on lower-income and frontline workers performing essential work.

Water, Sewer & Broadband Infrastructure

The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability, and adds additional eligible water and sewer infrastructure investments, including a broader range of lead remediation and stormwater management projects.

FINAL RULE EFFECTIVE DATE

The final rule takes effect on April 1, 2022. Until that time, the interim final rule remains in effect; funds used consistently with the IFR while it is in effect are in compliance with the SLFRF program.

However, recipients can choose to take advantage of the final rule’s flexibilities and simplifications now, even ahead of the effective date. Treasury will not take action to enforce the interim final rule to the extent that a use of funds is consistent with the terms of the final rule, regardless of when the SLFRF funds were used. Recipients may consult the *Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule*, which can be found on Treasury’s website, for more information on compliance with the interim final rule and the final rule.



Overview of the Program

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program provides substantial flexibility for each jurisdiction to meet local needs within the four separate eligible use categories. This Overview of the Final Rule addresses the four eligible use categories ordered from the broadest and most flexible to the most specific.

Recipients may use SLFRF funds to:

- **Replace lost public sector revenue**, using this funding to provide government services up to the amount of revenue loss due to the pandemic.
 - Recipients may determine their revenue loss by choosing between two options:
 - A standard allowance of up to \$10 million in aggregate, not to exceed their award amount, during the program;
 - Calculating their jurisdiction's specific revenue loss each year using Treasury's formula, which compares actual revenue to a counterfactual trend.
 - Recipients may use funds up to the amount of revenue loss for government services; generally, services traditionally provided by recipient governments are government services, unless Treasury has stated otherwise.
- **Support the COVID-19 public health and economic response** by addressing COVID-19 and its impact on public health as well as addressing economic harms to households, small businesses, nonprofits, impacted industries, and the public sector.
 - Recipients can use funds for programs, services, or capital expenditures that respond to the public health and negative economic impacts of the pandemic.
 - To provide simple and clear eligible uses of funds, Treasury provides a list of enumerated uses that recipients can provide to households, populations, or classes (i.e., groups) that experienced pandemic impacts.
 - Public health eligible uses include COVID-19 mitigation and prevention, medical expenses, behavioral healthcare, and preventing and responding to violence.
 - Eligible uses to respond to negative economic impacts are organized by the type of beneficiary: assistance to households, small businesses, and nonprofits.
 - Each category includes assistance for "impacted" and "disproportionately impacted" classes: impacted classes experienced the general, broad-based impacts of the pandemic, while disproportionately impacted classes faced meaningfully more severe impacts, often due to preexisting disparities.
 - To simplify administration, the final rule presumes that some populations and groups were impacted or disproportionately impacted and are eligible for responsive services.

Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule



U.S. DEPARTMENT OF THE TREASURY

- Eligible uses for assistance to impacted households include aid for re-employment, job training, food, rent, mortgages, utilities, affordable housing development, childcare, early education, addressing learning loss, and many more uses.
- Eligible uses for assistance to impacted small businesses or nonprofits include loans or grants to mitigate financial hardship, technical assistance for small businesses, and many more uses.
- Recipients can also provide assistance to impacted industries like travel, tourism, and hospitality that faced substantial pandemic impacts, or address impacts to the public sector, for example by re-hiring public sector workers cut during the crisis.
- Recipients providing funds for enumerated uses to populations and groups that Treasury has presumed eligible are clearly operating consistently with the final rule. Recipients can also identify (1) other populations or groups, beyond those presumed eligible, that experienced pandemic impacts or disproportionate impacts and (2) other programs, services, or capital expenditures, beyond those enumerated, to respond to those impacts.
- **Provide premium pay for eligible workers performing essential work**, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors.
 - Recipients may provide premium pay to eligible workers – generally those working in-person in key economic sectors – who are below a wage threshold or non-exempt from the Fair Labor Standards Act overtime provisions, or if the recipient submits justification that the premium pay is responsive to workers performing essential work.
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet.
 - Recipients may fund a broad range of water and sewer projects, including those eligible under the EPA’s Clean Water State Revolving Fund, EPA’s Drinking Water State Revolving Fund, and certain additional projects, including a wide set of lead remediation, stormwater infrastructure, and aid for private wells and septic units.
 - Recipients may fund high-speed broadband infrastructure in areas of need that the recipient identifies, such as areas without access to adequate speeds, affordable options, or where connections are inconsistent or unreliable; completed projects must participate in a low-income subsidy program.

While recipients have considerable flexibility to use funds to address the diverse needs of their communities, some restrictions on use apply across all eligible use categories. These include:

- **For states and territories:** No offsets of a reduction in net tax revenue resulting from a change in state or territory law.

Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule



U.S. DEPARTMENT OF THE TREASURY

- **For all recipients except for Tribal governments:** No extraordinary contributions to a pension fund for the purpose of reducing an accrued, unfunded liability.
- **For all recipients:** No payments for debt service and replenishments of rainy day funds; no satisfaction of settlements and judgments; no uses that contravene or violate the American Rescue Plan Act, Uniform Guidance conflicts of interest requirements, and other federal, state, and local laws and regulations.

Under the SLFRF program, funds must be used for costs incurred on or after March 3, 2021. Further, funds must be obligated by December 31, 2024, and expended by December 31, 2026. This time period, during which recipients can expend SLFRF funds, is the “period of performance.”

In addition to SLFRF, the American Rescue Plan includes other sources of funding for state and local governments, including the [Coronavirus Capital Projects Fund](#) to fund critical capital investments including broadband infrastructure; the [Homeowner Assistance Fund](#) to provide relief for our country’s most vulnerable homeowners; the [Emergency Rental Assistance Program](#) to assist households that are unable to pay rent or utilities; and the [State Small Business Credit Initiative](#) to fund small business credit expansion initiatives. Eligible recipients are encouraged to visit the Treasury website for more information.



Replacing Lost Public Sector Revenue

The Coronavirus State and Local Fiscal Recovery Funds provide needed fiscal relief for recipients that have experienced revenue loss due to the onset of the COVID-19 public health emergency. Specifically, SLFRF funding may be used to pay for “government services” in an amount equal to the revenue loss experienced by the recipient due to the COVID-19 public health emergency.

Government services generally include any service traditionally provided by a government, including construction of roads and other infrastructure, provision of public safety and other services, and health and educational services. Funds spent under government services are subject to streamlined reporting and compliance requirements.

In order to use funds under government services, recipients should first determine revenue loss. They may, then, spend up to that amount on general government services.

DETERMINING REVENUE LOSS

Recipients have two options for how to determine their amount of revenue loss. Recipients must choose one of the two options and cannot switch between these approaches after an election is made.

- 1. Recipients may elect a “standard allowance” of \$10 million to spend on government services through the period of performance.**

Under this option, which is newly offered in the final rule Treasury presumes that up to \$10 million in revenue has been lost due to the public health emergency and recipients are permitted to use that amount (not to exceed the award amount) to fund “government services.” The standard allowance provides an estimate of revenue loss that is based on an extensive analysis of average revenue loss across states and localities, and offers a simple, convenient way to determine revenue loss, particularly for SLFRF’s smallest recipients.

All recipients may elect to use this standard allowance instead of calculating lost revenue using the formula below, including those with total allocations of \$10 million or less. Electing the standard allowance does not increase or decrease a recipient’s total allocation.

- 2. Recipients may calculate their actual revenue loss according to the formula articulated in the final rule.**

Under this option, recipients calculate revenue loss at four distinct points in time, either at the end of each calendar year (e.g., December 31 for years 2020, 2021, 2022, and 2023) or the end of each fiscal year of the recipient. Under the flexibility provided in the final rule, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. Treasury has also provided several adjustments to the definition of general revenue in the final rule.

To calculate revenue loss at each of these dates, recipients must follow a four-step process:



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- a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
- b. Estimate *counterfactual revenue*, which is equal to the following formula, where n is the number of months elapsed since the end of the base year to the calculation date:

$$\text{base year revenue} \times (1 + \text{growth adjustment})^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient’s average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.

- c. Identify *actual revenue*, which equals revenues collected over the twelve months immediately preceding the calculation date.

Under the final rule, recipients must adjust actual revenue totals for the effect of tax cuts and tax increases that are adopted after the date of adoption of the final rule (January 6, 2022). Specifically, the estimated fiscal impact of tax cuts and tax increases adopted after January 6, 2022, must be added or subtracted to the calculation of actual revenue for purposes of calculation dates that occur on or after April 1, 2022.

Recipients may subtract from their calculation of actual revenue the effect of tax increases enacted prior to the adoption of the final rule. Note that recipients that elect to remove the effect of tax increases enacted before the adoption of the final rule must also remove the effect of tax decreases enacted before the adoption of the final rule, such that they are accurately removing the effect of tax policy changes on revenue.

- d. Revenue loss for the calculation date is equal to *counterfactual revenue* minus *actual revenue* (adjusted for tax changes) for the twelve-month period. If actual revenue exceeds counterfactual revenue, the loss is set to zero for that twelve-month period. Revenue loss for the period of performance is the sum of the revenue loss on for each calculation date.

The supplementary information in the final rule provides an example of this calculation, which recipients may find helpful, in the Revenue Loss section.



SPENDING ON GOVERNMENT SERVICES

Recipients can use SLFRF funds on government services up to the revenue loss amount, whether that be the standard allowance amount or the amount calculated using the above approach. **Government services generally include *any service traditionally provided by a government***, unless Treasury has stated otherwise. Here are some common examples, although this list is not exhaustive:

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health services
- ✓ General government administration, staff, and administrative facilities
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Government services is the most flexible eligible use category under the SLFRF program, and funds are subject to streamlined reporting and compliance requirements. Recipients should be mindful that certain restrictions, which are detailed further in the Restrictions on Use section and apply to all uses of funds, apply to government services as well.



Responding to Public Health and Economic Impacts of COVID-19

The Coronavirus State and Local Fiscal Recovery Funds provide resources for governments to meet the public health and economic needs of those impacted by the pandemic in their communities, as well as address longstanding health and economic disparities, which amplified the impact of the pandemic in disproportionately impacted communities, resulting in more severe pandemic impacts.

The eligible use category to respond to public health and negative economic impacts is organized around the types of assistance a recipient may provide and includes several sub-categories:

- public health,
- assistance to households,
- assistance to small businesses,
- assistance to nonprofits,
- aid to impacted industries, and
- public sector capacity.

In general, to identify eligible uses of funds in this category, recipients should (1) identify a COVID-19 public health or economic impact on an individual or class (i.e., a group) and (2) design a program that responds to that impact. Responses should be related and reasonably proportional to the harm identified and reasonably designed to benefit those impacted.

To provide simple, clear eligible uses of funds that meet this standard, Treasury provides a non-exhaustive list of enumerated uses that respond to pandemic impacts. Treasury also presumes that some populations experienced pandemic impacts and are eligible for responsive services. In other words, recipients providing enumerated uses of funds to populations presumed eligible are clearly operating consistently with the final rule.¹

Recipients also have broad flexibility to (1) identify and respond to other pandemic impacts and (2) serve other populations that experienced pandemic impacts, beyond the enumerated uses and presumed eligible populations. Recipients can also identify groups or “classes” of beneficiaries that experienced pandemic impacts and provide services to those classes.

¹ However, please note that use of funds for enumerated uses may not be grossly disproportionate to the harm. Further, recipients should consult the Capital Expenditures section for more information about pursuing a capital expenditure; please note that enumerated capital expenditures are not presumed to be reasonably proportional responses to an identified harm except as provided in the Capital Expenditures section.



Step	1. Identify COVID-19 public health or economic impact	2. Design a response that addresses or responds to the impact
Analysis	<ul style="list-style-type: none"> • Can identify impact to a specific household, business or nonprofit or to a class of households, businesses, or nonprofits (i.e., group) • Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class 	<ul style="list-style-type: none"> • Types of responses can include a program, service, or capital expenditure • Response should be related and reasonably proportional to the harm • Response should also be reasonably designed to benefit impacted individual or class
Simplifying Presumptions	<ul style="list-style-type: none"> • Final Rule presumes certain populations and classes are impacted and disproportionately impacted 	<ul style="list-style-type: none"> • Final Rule provides non-exhaustive list of enumerated eligible uses that respond to pandemic impacts and disproportionate impacts

To assess eligibility of uses of funds, recipients should first determine the sub-category where their use of funds may fit (e.g., public health, assistance to households, assistance to small businesses), based on the entity that experienced the health or economic impact.² Then, recipients should refer to the relevant section for more details on each sub-category.

While the same overall eligibility standard applies to all uses of funds to respond to the public health and negative economic impacts of the pandemic, each sub-category has specific nuances on its application. In addition:

- Recipients interested in using funds for capital expenditures (i.e., investments in property, facilities, or equipment) should review the Capital Expenditures section in addition to the eligible use sub-category.
- Recipients interested in other uses of funds, beyond the enumerated uses, should refer to the section on “Framework for Eligible Uses Beyond Those Enumerated.”

² For example, a recipient interested in providing aid to unemployed individuals is addressing a negative economic impact experienced by a household and should refer to the section on assistance to households. Recipients should also be aware of the difference between “beneficiaries” and “sub-recipients.” Beneficiaries are households, small businesses, or nonprofits that can receive assistance based on impacts of the pandemic that they experienced. On the other hand, sub-recipients are organizations that carry out eligible uses on behalf of a government, often through grants or contracts. Sub-recipients do not need to have experienced a negative economic impact of the pandemic; rather, they are providing services to beneficiaries that experienced an impact.

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RESPONDING TO THE PUBLIC HEALTH EMERGENCY

While the country has made tremendous progress in the fight against COVID-19, including a historic vaccination campaign, the disease still poses a grave threat to Americans' health and the economy. Providing state, local, and Tribal governments the resources needed to fight the COVID-19 pandemic is a core goal of the Coronavirus State and Local Fiscal Recovery Funds, as well as addressing the other ways that the pandemic has impacted public health. Treasury has identified several public health impacts of the pandemic and enumerated uses of funds to respond to impacted populations.

- **COVID-19 mitigation and prevention.** The pandemic has broadly impacted Americans and recipients can provide services to prevent and mitigate COVID-19 to the general public or to small businesses, nonprofits, and impacted industries in general. Enumerated eligible uses include:
 - ✓ Vaccination programs, including vaccine incentives and vaccine sites
 - ✓ Testing programs, equipment and sites
 - ✓ Monitoring, contact tracing & public health surveillance (e.g., monitoring for variants)
 - ✓ Public communication efforts
 - ✓ Public health data systems
 - ✓ COVID-19 prevention and treatment equipment, such as ventilators and ambulances
 - ✓ Medical and PPE/protective supplies
 - ✓ Support for isolation or quarantine
 - ✓ Ventilation system installation and improvement
 - ✓ Technical assistance on mitigation of COVID-19 threats to public health and safety
 - ✓ Transportation to reach vaccination or testing sites, or other prevention and mitigation services for vulnerable populations
 - ✓ Support for prevention, mitigation, or other services in congregate living facilities, public facilities, and schools
 - ✓ Support for prevention and mitigation strategies in small businesses, nonprofits, and impacted industries
 - ✓ Medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., ICUs, emergency rooms)
 - ✓ Temporary medical facilities and other measures to increase COVID-19 treatment capacity
 - ✓ Emergency operations centers & emergency response equipment (e.g., emergency response radio systems)
 - ✓ Public telemedicine capabilities for COVID-19 related treatment



- **Medical expenses.** Funds may be used for expenses to households, medical providers, or others that incurred medical costs due to the pandemic, including:
 - ✓ Unreimbursed expenses for medical care for COVID-19 testing or treatment, such as uncompensated care costs for medical providers or out-of-pocket costs for individuals
 - ✓ Paid family and medical leave for public employees to enable compliance with COVID-19 public health precautions
 - ✓ Emergency medical response expenses
 - ✓ Treatment of long-term symptoms or effects of COVID-19

- **Behavioral health care, such as mental health treatment, substance use treatment, and other behavioral health services.** Treasury recognizes that the pandemic has broadly impacted Americans' behavioral health and recipients can provide these services to the general public to respond. Enumerated eligible uses include:
 - ✓ Prevention, outpatient treatment, inpatient treatment, crisis care, diversion programs, outreach to individuals not yet engaged in treatment, harm reduction & long-term recovery support
 - ✓ Enhanced behavioral health services in schools
 - ✓ Services for pregnant women or infants born with neonatal abstinence syndrome
 - ✓ Support for equitable access to reduce disparities in access to high-quality treatment
 - ✓ Peer support groups, costs for residence in supportive housing or recovery housing, and the 988 National Suicide Prevention Lifeline or other hotline services
 - ✓ Expansion of access to evidence-based services for opioid use disorder prevention, treatment, harm reduction, and recovery
 - ✓ Behavioral health facilities & equipment

- **Preventing and responding to violence.** Recognizing that violence – and especially gun violence – has increased in some communities due to the pandemic, recipients may use funds to respond in these communities through:
 - ✓ Referrals to trauma recovery services for victims of crime
 - ✓ Community violence intervention programs, including:
 - Evidence-based practices like focused deterrence, with wraparound services such as behavioral therapy, trauma recovery, job training, education, housing and relocation services, and financial assistance
 - ✓ In communities experiencing increased gun violence due to the pandemic:
 - Law enforcement officers focused on advancing community policing
 - Enforcement efforts to reduce gun violence, including prosecution
 - Technology & equipment to support law enforcement response

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RESPONDING TO NEGATIVE ECONOMIC IMPACTS

The pandemic caused severe economic damage and, while the economy is on track to a strong recovery, much work remains to continue building a robust, resilient, and equitable economy in the wake of the crisis and to ensure that the benefits of this recovery reach all Americans. While the pandemic impacted millions of American households and businesses, some of its most severe impacts fell on low-income and underserved communities, where pre-existing disparities amplified the impact of the pandemic and where the most work remains to reach a full recovery.

The final rule recognizes that the pandemic caused broad-based impacts that affected many communities, households, and small businesses across the country; for example, many workers faced unemployment and many small businesses saw declines in revenue. The final rule describes these as "impacted" households, communities, small businesses, and nonprofits.

At the same time, the pandemic caused disproportionate impacts, or more severe impacts, in certain communities. For example, low-income and underserved communities have faced more severe health and economic outcomes like higher rates of COVID-19 mortality and unemployment, often because pre-existing disparities exacerbated the impact of the pandemic. The final rule describes these as "disproportionately impacted" households, communities, small businesses, and nonprofits.

To simplify administration of the program, the final rule presumes that certain populations were "impacted" and "disproportionately impacted" by the pandemic; these populations are presumed to be eligible for services that respond to the impact they experienced. The final rule also enumerates a non-exhaustive list of eligible uses that are recognized as responsive to the impacts or disproportionate impacts of COVID-19. Recipients providing enumerated uses to populations presumed eligible are clearly operating consistently with the final rule.

As discussed further in the section Framework for Eligible Uses Beyond Those Enumerated, recipients can also identify other pandemic impacts, impacted or disproportionately impacted populations or classes, and responses.

However, note that the final rule maintains that general infrastructure projects, including roads, streets, and surface transportation infrastructure, would generally not be eligible under this eligible use category, unless the project responded to a specific pandemic public health need or a specific negative economic impact. Similarly, general economic development or workforce development – activities that do not respond to negative economic impacts of the pandemic but rather seek to more generally enhance the jurisdiction's business climate – would generally not be eligible under this eligible use category.



Assistance to Households

Impacted Households and Communities

Treasury presumes the following households and communities are impacted by the pandemic:

- ✓ Low- or-moderate income households or communities
- ✓ Households that experienced unemployment
- ✓ Households that experienced increased food or housing insecurity
- ✓ Households that qualify for the Children's Health Insurance Program, Childcare Subsidies through the Child Care Development Fund (CCDF) Program, or Medicaid
- ✓ *When providing affordable housing programs:* households that qualify for the National Housing Trust Fund and Home Investment Partnerships Program
- ✓ *When providing services to address lost instructional time in K-12 schools:* any student that lost access to in-person instruction for a significant period of time

Low- or moderate-income households and communities are those with (i) income at or below 300 percent of the Federal Poverty Guidelines for the size of the household based on the most recently published poverty guidelines or (ii) income at or below 65 percent of the area median income for the county and size of household based on the most recently published data. For the vast majority of communities, the Federal Poverty Guidelines are higher than the area's median income and using the Federal Poverty Guidelines would result in more households and communities being presumed eligible. Treasury has provided an easy-to-use spreadsheet with Federal Poverty Guidelines and area median income levels on its website.

Recipients can measure income for a specific household or the median income for the community, depending on whether the response they plan to provide serves specific households or the general community. The income thresholds vary by household size; recipients should generally use income thresholds for the appropriate household size but can use a default household size of three when easier for administration or when measuring income for a general community.

The income limit for 300 percent of the Federal Poverty Guidelines for a household of three is \$65,880 per year.³ In other words, recipients can always presume that a household earning below this level, or a community with median income below this level, is impacted by the pandemic and eligible for services to respond. Additionally, by following the steps detailed in the section Framework for Eligible Uses Beyond Those Enumerated, recipients may designate additional households as impacted or disproportionately impacted beyond these presumptions, and may also pursue projects not listed below in response to these impacts consistent with Treasury's standards.

³ For recipients in Alaska, the income limit for 300 percent of the Federal Poverty Guidelines for a household of three is \$82,350 per year. For recipients in Hawaii, the income limit for 300 percent of the Federal Poverty Guidelines for a household of three is \$75,780 per year.



Treasury recognizes the enumerated projects below, which have been expanded under the final rule, as eligible to respond to impacts of the pandemic on households and communities:

- ✓ Food assistance (e.g., child nutrition programs, including school meals) & food banks
- ✓ Emergency housing assistance: rental assistance, mortgage assistance, utility assistance, assistance paying delinquent property taxes, counseling and legal aid to prevent eviction and homelessness & emergency programs or services for homeless individuals, including temporary residences for people experiencing homelessness
- ✓ Health insurance coverage expansion
- ✓ Benefits for surviving family members of individuals who have died from COVID-19
- ✓ Assistance to individuals who want and are available for work, including job training, public jobs programs and fairs, support for childcare and transportation to and from a jobsite or interview, incentives for newly-employed workers, subsidized employment, grants to hire underserved workers, assistance to unemployed individuals to start small businesses & development of job and workforce training centers
- ✓ Financial services for the unbanked and underbanked
- ✓ Burials, home repair & home weatherization
- ✓ Programs, devices & equipment for internet access and digital literacy, including subsidies for costs of access
- ✓ Cash assistance
- ✓ Paid sick, medical, and family leave programs
- ✓ Assistance in accessing and applying for public benefits or services
- ✓ Childcare and early learning services, home visiting programs, services for child welfare-involved families and foster youth & childcare facilities
- ✓ Assistance to address the impact of learning loss for K-12 students (e.g., high-quality tutoring, differentiated instruction)
- ✓ Programs or services to support long-term housing security: including development of affordable housing and permanent supportive housing
- ✓ Certain contributions to an Unemployment Insurance Trust Fund⁴

⁴ Recipients may only use SLFRF funds for contributions to unemployment insurance trust funds and repayment of the principal amount due on advances received under Title XII of the Social Security Act up to an amount equal to (i) the difference between the balance in the recipient's unemployment insurance trust fund as of January 27, 2020 and the balance of such account as of May 17, 2021, plus (ii) the principal amount outstanding as of May 17, 2021 on any advances received under Title XII of the Social Security Act between January 27, 2020 and May 17, 2021. Further, recipients may use SLFRF funds for the payment of any interest due on such Title XII advances. Additionally, a recipient that deposits SLFRF funds into its unemployment insurance trust fund to fully restore the pre-pandemic balance may not draw down that balance and deposit more SLFRF funds, back up to the pre-pandemic balance. Recipients that deposit SLFRF funds into an unemployment insurance trust fund, or use SLFRF funds to repay principal on Title XII advances, may not take action to reduce benefits available to unemployed workers by changing the computation method governing regular unemployment compensation in a way that results in a reduction of average weekly benefit amounts or the number of weeks of benefits payable (i.e., maximum benefit entitlement).

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Disproportionately Impacted Households and Communities

Treasury presumes the following households and communities are disproportionately impacted by the pandemic:

- ✓ Low -income households and communities
- ✓ Households residing in Qualified Census Tracts
- ✓ Households that qualify for certain federal benefits⁵
- ✓ Households receiving services provided by Tribal governments
- ✓ Households residing in the U.S. territories or receiving services from these governments

Low-income households and communities are those with (i) income at or below 185 percent of the Federal Poverty Guidelines for the size of its household based on the most recently published poverty guidelines or (ii) income at or below 40 percent of area median income for its county and size of household based on the most recently published data. For the vast majority of communities, the Federal Poverty Guidelines level is higher than the area median income level and using this level would result in more households and communities being presumed eligible. Treasury has provided an easy-to-use spreadsheet with Federal Poverty Guidelines and area median income levels on its website.

Recipients can measure income for a specific household or the median income for the community, depending on whether the service they plan to provide serves specific households or the general community. The income thresholds vary by household size; recipients should generally use income thresholds for the appropriate household size but can use a default household size of three when easier for administration or when measuring income for a general community.

The income limit for 185 percent of the Federal Poverty Guidelines for a household of three is \$40,626 per year.⁶ In other words, recipients can always presume that a household earning below this level, or a community with median income below this level, is disproportionately impacted by the pandemic and eligible for services to respond.

⁵ These programs are Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Free- and Reduced-Price Lunch (NSLP) and/or School Breakfast (SBP) programs, Medicare Part D Low-Income Subsidies, Supplemental Security Income (SSI), Head Start and/or Early Head Start, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Section 8 Vouchers, Low-Income Home Energy Assistance Program (LIHEAP), and Pell Grants. For services to address educational disparities, Treasury will recognize Title I eligible schools as disproportionately impacted and responsive services that support the school generally or support the whole school as eligible.

⁶ For recipients in Alaska, the income limit for 185 percent of the Federal Poverty Guidelines for a household of three is \$50,783 per year. For recipients in Hawaii, the income limit for 185 percent of the Federal Poverty Guidelines for a household of three is \$46,731 per year



Treasury recognizes the enumerated projects below, which have been expanded under the final rule, as eligible to respond to disproportionate impacts of the pandemic on households and communities:

- ✓ Pay for community health workers to help households access health & social services
- ✓ Remediation of lead paint or other lead hazards
- ✓ Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment & facilities designed to address health disparities
- ✓ Housing vouchers & assistance relocating to neighborhoods with higher economic opportunity
- ✓ Investments in neighborhoods to promote improved health outcomes
- ✓ Improvements to vacant and abandoned properties, including rehabilitation or maintenance, renovation, removal and remediation of environmental contaminants, demolition or deconstruction, greening/vacant lot cleanup & conversion to affordable housing⁷
- ✓ Services to address educational disparities, including assistance to high-poverty school districts & educational and evidence-based services to address student academic, social, emotional, and mental health needs
- ✓ Schools and other educational equipment & facilities
- ✓ Responses available to respond to impacts of the pandemic on households and communities (including those listed on page 18)

⁷ Please see the final rule for further details and conditions applicable to this eligible use. This includes Treasury's presumption that demolition of vacant or abandoned residential properties that results in a net reduction in occupiable housing units for low- and moderate-income individuals in an area where the availability of such housing is lower than the need for such housing is ineligible for support with SLFRF funds.

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Assistance to Small Businesses

Small businesses have faced widespread challenges due to the pandemic, including periods of shutdown, declines in revenue, or increased costs. The final rule provides many tools for recipients to respond to the impacts of the pandemic on small businesses, or disproportionate impacts on businesses where pre-existing disparities like lack of access to capital compounded the pandemic's effects.

Small businesses eligible for assistance are those that experienced negative economic impacts or disproportionate impacts of the pandemic and meet the definition of "small business," specifically:

1. Have no more than 500 employees, or if applicable, the size standard in number of employees [established](#) by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and
2. Are a small business concern as defined in section 3 of the Small Business Act⁸ (which includes, among other requirements, that the business is independently owned and operated and is not dominant in its field of operation).

Impacted Small Businesses

Recipients can identify small businesses impacted by the pandemic, and measures to respond, in many ways; for example, recipients could consider:

- | | |
|---------------------------------------|--|
| ✓ Decreased revenue or gross receipts | ✓ Capacity to weather financial hardship |
| ✓ Financial insecurity | ✓ Challenges covering payroll, rent or mortgage, and other operating costs |
| ✓ Increased costs | |

Assistance to small businesses that experienced negative economic impacts includes the following enumerated uses:

- | | |
|---|--|
| ✓ Loans or grants to mitigate financial hardship, such as by supporting payroll and benefits, costs to retain employees, and mortgage, rent, utility, and other operating costs | ✓ Technical assistance, counseling, or other services to support business planning |
|---|--|

Disproportionately Impacted Small Businesses

Treasury presumes that the following small businesses are disproportionately impacted by the pandemic:

⁸ 15 U.S.C. 632.



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- ✓ Small businesses operating in Qualified Census Tracts
- ✓ Small businesses operated by Tribal governments or on Tribal lands
- ✓ Small businesses operating in the U.S. territories

Assistance to disproportionately impacted small businesses includes the following enumerated uses, which have been expanded under the final rule:

- ✓ Rehabilitation of commercial properties, storefront improvements & façade improvements
- ✓ Technical assistance, business incubators & grants for start-up or expansion costs for small businesses
- ✓ Support for microbusinesses, including financial, childcare, and transportation costs



Assistance to Nonprofits

Nonprofits have faced significant challenges due to the pandemic's increased demand for services and changing operational needs, as well as declines in revenue sources such as donations and fees. Nonprofits eligible for assistance are those that experienced negative economic impacts or disproportionate impacts of the pandemic and meet the definition of "nonprofit"—specifically those that are 501(c)(3) or 501(c)(19) tax-exempt organizations.

Impacted Nonprofits

Recipients can identify nonprofits impacted by the pandemic, and measures to respond, in many ways; for example, recipients could consider:

- ✓ Decreased revenue (e.g., from donations and fees)
- ✓ Financial insecurity
- ✓ Increased costs (e.g., uncompensated increases in service need)
- ✓ Capacity to weather financial hardship
- ✓ Challenges covering payroll, rent or mortgage, and other operating costs

Assistance to nonprofits that experienced negative economic impacts includes the following enumerated uses:

- ✓ Loans or grants to mitigate financial hardship
- ✓ Technical or in-kind assistance or other services that mitigate negative economic impacts of the pandemic

Disproportionately Impacted Nonprofits

Treasury presumes that the following nonprofits are disproportionately impacted by the pandemic:

- ✓ Nonprofits operating in Qualified Census Tracts
- ✓ Nonprofits operated by Tribal governments or on Tribal lands
- ✓ Nonprofits operating in the U.S. territories

Recipients may identify appropriate responses that are related and reasonably proportional to addressing these disproportionate impacts.



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Aid to Impacted Industries

Recipients may use SLFRF funding to provide aid to industries impacted by the COVID-19 pandemic. Recipients should first designate an impacted industry and then provide aid to address the impacted industry's negative economic impact.

This sub-category of eligible uses does not separately identify disproportionate impacts and corresponding responsive services.

1. Designating an impacted industry. There are two main ways an industry can be designated as "impacted."

1. If the industry is in the travel, tourism, or hospitality sectors (including Tribal development districts), the industry is impacted.
2. If the industry is outside the travel, tourism, or hospitality sectors, the industry is impacted if:
 - a. The industry experienced at least 8 percent employment loss from pre-pandemic levels,⁹ or
 - b. The industry is experiencing comparable or worse economic impacts as the national tourism, travel, and hospitality industries as of the date of the final rule, based on the totality of economic indicators or qualitative data (if quantitative data is unavailable), and if the impacts were generally due to the COVID-19 public health emergency.

Recipients have flexibility to define industries broadly or narrowly, but Treasury encourages recipients to define narrow and discrete industries eligible for aid. State and territory recipients also have flexibility to define the industries with greater geographic precision; for example, a state may identify a particular industry in a certain region of a state as impacted.

2. Providing eligible aid to the impacted industry. Aid may only be provided to support businesses, attractions, and Tribal development districts operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic. Further, aid should be generally broadly available to all businesses within the impacted industry to avoid potential conflicts of interest, and Treasury encourages aid to be first used for operational expenses, such as payroll, before being used on other types of costs.

⁹ Specifically, a recipient should compare the percent change in the number of employees of the recipient's identified industry and the national Leisure & Hospitality sector in the three months before the pandemic's most severe impacts began (a straight three-month average of seasonally-adjusted employment data from December 2019, January 2020, and February 2020) with the latest data as of the final rule (a straight three-month average of seasonally-adjusted employment data from September 2021, October 2021, and November 2021). For parity and simplicity, smaller recipients without employment data that measure industries in their specific jurisdiction may use data available for a broader unit of government for this calculation (e.g., a county may use data from the state in which it is located; a city may use data for the county, if available, or state in which it is located) solely for purposes of determining whether a particular industry is an impacted industry.

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Treasury recognizes the enumerated projects below as eligible responses to impacted industries.

- ✓ Aid to mitigate financial hardship, such as supporting payroll costs, lost pay and benefits for returning employees, support of operations and maintenance of existing equipment and facilities
- ✓ Technical assistance, counseling, or other services to support business planning
- ✓ COVID-19 mitigation and infection prevention measures (see section Public Health)

As with all eligible uses, recipients may pursue a project not listed above by undergoing the steps outlined in the section Framework for Eligible Uses Beyond Those Enumerated.



PUBLIC SECTOR CAPACITY

Recipients may use SLFRF funding to restore and bolster public sector capacity, which supports government's ability to deliver critical COVID-19 services. There are three main categories of eligible uses to bolster public sector capacity and workforce: Public Safety, Public Health, and Human Services Staff; Government Employment and Rehiring Public Sector Staff; and Effective Service Delivery.

Public Safety, Public Health, and Human Services Staff

SLFRF funding may be used for payroll and covered benefits for public safety, public health, health care, human services and similar employees of a recipient government, for the portion of the employee's time spent responding to COVID-19. Recipients should follow the steps below.

1. Identify eligible public safety, public health, and human services staff. Public safety staff include:

- ✓ Police officers (including state police officers)
- ✓ Sheriffs and deputy sheriffs
- ✓ Firefighters
- ✓ Emergency medical responders
- ✓ Correctional and detention officers
- ✓ Dispatchers and supervisor personnel that directly support public safety staff

Public health staff include:

- ✓ Employees involved in providing medical and other physical or mental health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions
- ✓ Laboratory technicians, medical examiners, morgue staff, and other support services essential for patient care
- ✓ Employees of public health departments directly engaged in public health matters and related supervisory personnel

Human services staff include:

- ✓ Employees providing or administering social services and public benefits
- ✓ Child, elder, or family care employees
- ✓ Child welfare services employees

2. Assess portion of time spent on COVID-19 response for eligible staff.

Recipients can use a variety of methods to assess the share of an employees' time spent responding to COVID-19, including using reasonable estimates—such as estimating the share of time based on discussions with staff and applying that share to all employees in that position.

For administrative convenience, recipients can consider public health and safety employees entirely devoted to responding to COVID-19 (and their payroll and benefits fully covered by SLFRF) if the



employee, or his or her operating unit or division, is “primarily dedicated” to responding to COVID-19. Primarily dedicated means that more than half of the employee, unit, or division’s time is dedicated to responding to COVID-19.

Recipients must periodically reassess their determination and maintain records to support their assessment, although recipients do not need to track staff hours.

3. **Use SLFRF funding for payroll and covered benefits for the portion of eligible staff time spent on COVID-19 response.** SLFRF funding may be used for payroll and covered benefits for the portion of the employees’ time spent on COVID-19 response, as calculated above, through the period of performance.

Government Employment and Rehiring Public Sector Staff

Under the increased flexibility of the final rule, SLFRF funding may be used to support a broader set of uses to restore and support public sector employment. Eligible uses include hiring up to a pre-pandemic baseline that is adjusted for historic underinvestment in the public sector, providing additional funds for employees who experienced pay cuts or were furloughed, avoiding layoffs, providing worker retention incentives, and paying for ancillary administrative costs related to hiring, support, and retention.

- **Restoring pre-pandemic employment.** Recipients have two options to restore pre-pandemic employment, depending on the recipient’s needs.
 - *If the recipient simply wants to hire back employees for pre-pandemic positions:* Recipients may use SLFRF funds to hire employees for the same positions that existed on January 27, 2020 but that were unfilled or eliminated as of March 3, 2021. Recipients may use SLFRF funds to cover payroll and covered benefits for such positions through the period of performance.
 - *If the recipient wants to hire above the pre-pandemic baseline and/or would like to have flexibility in positions:* Recipients may use SLFRF funds to pay for payroll and covered benefits associated with the recipient increasing its number of budgeted FTEs up to 7.5 percent above its pre-pandemic baseline. Specifically, recipients should undergo the following steps:
 - a. Identify the recipient’s budgeted FTE level on January 27, 2020. This includes all budgeted positions, filled and unfilled. This is called the *pre-pandemic baseline*.
 - b. Multiply the pre-pandemic baseline by 1.075. This is called the *adjusted pre-pandemic baseline*.
 - c. Identify the recipient’s budgeted FTE level on March 3, 2021, which is the beginning of the period of performance for SLFRF funds. Recipients may, but are not required to, exclude the number of FTEs dedicated to responding to the COVID-19 public health emergency. This is called the *actual number of FTEs*.
 - d. Subtract the *actual number of FTEs* from the *adjusted pre-pandemic baseline* to calculate the number of FTEs that can be covered by SLFRF funds. Recipients do not have to hire for the same roles that existed pre-pandemic.

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Recipients may use SLFRF funds to cover payroll and covered benefits through the period of performance; these employees must have begun their employment on or after March 3, 2021. Recipients may only use SLFRF funds for additional FTEs hired over the March 3, 2021 level (i.e., the *actual number of FTEs*).

- **Supporting and retaining public sector workers.** Recipients can also use funds in other ways that support the public sector workforce.¹⁰ These include:
 - **Providing additional funding for employees who experienced pay reductions or were furloughed** since the onset of the pandemic, up to the difference in the employee's pay, taking into account unemployment benefits received.
 - **Maintaining current compensation levels to prevent layoffs.** SLFRF funds may be used to maintain current compensation levels, with adjustments for inflation, in order to prevent layoffs that would otherwise be necessary.
 - **Providing worker retention incentives, including reasonable increases in compensation** to persuade employees to remain with the employer as compared to other employment options. Retention incentives must be entirely additive to an employee's regular compensation, narrowly tailored to need, and should not exceed incentives traditionally offered by the recipient or compensation that alternative employers may offer to compete for the employees. Treasury presumes that retention incentives that are less than 25 percent of the rate of base pay for an individual employee or 10 percent for a group or category of employees are reasonably proportional to the need to retain employees, as long as other requirements are met.
- **Covering administrative costs associated with administering the hiring, support, and retention programs above.**

Effective Service Delivery

SLFRF funding may be used to improve the efficacy of public health and economic programs through tools like program evaluation, data, and outreach, as well as to address administrative needs caused or exacerbated by the pandemic. Eligible uses include:

- **Supporting program evaluation, data, and outreach through:**

¹⁰ Recipients should be able to substantiate that these uses of funds are substantially due to the public health emergency or its negative economic impacts (e.g., fiscal pressures on state and local budgets) and respond to its impacts. See the final rule for details on these uses.

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- ✓ Program evaluation and evidence resources
- ✓ Data analysis resources to gather, assess, share, and use data
- ✓ Technology infrastructure to improve access to and the user experience of government IT systems, as well as technology improvements to increase public access and delivery of government programs and services
- ✓ Community outreach and engagement activities
- ✓ Capacity building resources to support using data and evidence, including hiring staff, consultants, or technical assistance support
- **Addressing administrative needs, including:**
 - ✓ Administrative costs for programs responding to the public health emergency and its economic impacts, including non-SLFRF and non-federally funded programs
 - ✓ Address administrative needs caused or exacerbated by the pandemic, including addressing backlogs caused by shutdowns, increased repair or maintenance needs, and technology infrastructure to adapt government operations to the pandemic (e.g., video-conferencing software, data and case management systems)



CAPITAL EXPENDITURES

As described above, the final rule clarifies that recipients may use funds for programs, services, and capital expenditures that respond to the public health and negative economic impacts of the pandemic. Any use of funds in this category for a capital expenditure must comply with the capital expenditure requirements, in addition to other standards for uses of funds.

Capital expenditures are subject to the same eligibility standard as other eligible uses to respond to the pandemic's public health and economic impacts; specifically, they must be related and reasonably proportional to the pandemic impact identified and reasonably designed to benefit the impacted population or class.

For ease of administration, the final rule identifies enumerated types of capital expenditures that Treasury has identified as responding to the pandemic's impacts; these are listed in the applicable sub-category of eligible uses (e.g., public health, assistance to households, etc.). Recipients may also identify other responsive capital expenditures. Similar to other eligible uses in the SLFRF program, no pre-approval is required for capital expenditures.

To guide recipients' analysis of whether a capital expenditure meets the eligibility standard, recipients (with the exception of Tribal governments) must complete and meet the requirements of a written justification for capital expenditures equal to or greater than \$1 million. For large-scale capital expenditures, which have high costs and may require an extended length of time to complete, as well as most capital expenditures for non-enumerated uses of funds, Treasury requires recipients to submit their written justification as part of regular reporting. Specifically:

If a project has total capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required	No Written Justification required
Greater than or equal to \$1 million, but less than \$10 million	Written Justification required but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

A Written Justification includes:

- *Description of the harm or need to be addressed.* Recipients should provide a description of the specific harm or need to be addressed and why the harm was exacerbated or caused by the public health emergency. Recipients may provide quantitative information on the extent and the type of harm, such as the number of individuals or entities affected.

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- *Explanation of why a capital expenditure is appropriate.* For example, recipients should include an explanation of why existing equipment and facilities, or policy changes or additional funding to pertinent programs or services, would be inadequate.
- *Comparison of proposed capital project against at least two alternative capital expenditures and demonstration of why the proposed capital expenditure is superior.* Recipients should consider the effectiveness of the capital expenditure in addressing the harm identified and the expected total cost (including pre-development costs) against at least two alternative capital expenditures.

Where relevant, recipients should consider the alternatives of improving existing capital assets already owned or leasing other capital assets.

Treasury presumes that the following capital projects are generally ineligible:

- × Construction of new correctional facilities as a response to an increase in rate of crime
- × Construction of new congregate facilities to decrease spread of COVID-19 in the facility
- × Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries

In undertaking capital expenditures, Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.



FRAMEWORK FOR ELIGIBLE USES BEYOND THOSE ENUMERATED

As described above, recipients have broad flexibility to identify and respond to other pandemic impacts and serve other populations that experienced pandemic impacts, beyond the enumerated uses and presumed eligible populations. Recipients should undergo the following steps to decide whether their project is eligible:

Step	1. Identify COVID-19 public health or economic impact	2. Design a response that addresses or responds to the impact
Analysis	<ul style="list-style-type: none"> Can identify impact to a specific household, business or nonprofit or to a class of households, businesses or nonprofits (i.e., group) Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class 	<ul style="list-style-type: none"> Types of responses can include a program, service, or capital expenditure Response should be related and reasonably proportional to the harm Response should also be reasonably designed to benefit impacted individual or class

1. Identify a COVID-19 public health or negative economic impact on an individual or a class.

Recipients should identify an individual or class that is “impacted” or “disproportionately impacted” by the COVID-19 public health emergency or its negative economic impacts as well as the specific impact itself.

- “Impacted” entities are those impacted by the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency. For example, an individual who lost their job or a small business that saw lower revenue during a period of closure would both have experienced impacts of the pandemic.
- “Disproportionately impacted” entities are those that experienced disproportionate public health or economic outcomes from the pandemic; Treasury recognizes that pre-existing disparities, in many cases, amplified the impacts of the pandemic, causing more severe impacts in underserved communities. For example, a household living in a neighborhood with limited access to medical care and healthy foods may have faced health disparities before the pandemic, like a higher rate of chronic health conditions, that contributed to more severe health outcomes during the COVID-19 pandemic.

The recipient may choose to identify these impacts at either the individual level or at a class level. If the recipient is identifying impacts at the individual level, they should retain documentation supporting the impact the individual experienced (e.g., documentation of lost revenues from a small business). Such documentation can be streamlined in many cases (e.g., self-attestation that a household requires food assistance).

Recipients also have broad flexibility to identify a “class” – or a group of households, small businesses, or nonprofits – that experienced an impact. In these cases, the recipients should



first identify the class and the impact that it faced. Then, recipients only need to document that the individuals served fall within that class; recipients do not need to document a specific impact to each individual served. For example, a recipient could identify that restaurants in the downtown area faced substantial declines in revenue due to decreased foot traffic from workers; the recipient could develop a program to respond to the impact on that class and only needs to document that the businesses being served are restaurants in the downtown area.

Recipients should keep the following considerations in mind when designating a class:

- **There should be a relationship between the definition of the class and the proposed response.** Larger and less-specific classes are less likely to have experienced similar harms, which may make it more difficult to design a response that appropriately responds to those harms.
 - **Classes may be determined on a population basis or on a geographic basis,** and the response should be appropriately matched. For example, a response might be designed to provide childcare to single parents, regardless of which neighborhood they live in, or a response might provide a park to improve the health of a disproportionately impacted neighborhood.
 - **Recipients may designate classes that experienced disproportionate impact,** by assessing the impacts of the pandemic and finding that some populations experienced meaningfully more severe impacts than the general public. To determine these disproportionate impacts, recipients:
 - May designate classes based on academic research or government research publications (such as the citations provided in the supplementary information in the final rule), through analysis of their own data, or through analysis of other existing data sources.
 - May also consider qualitative research and sources to augment their analysis, or when quantitative data is not readily available. Such sources might include resident interviews or feedback from relevant state and local agencies, such as public health departments or social services departments.
 - Should consider the quality of the research, data, and applicability of analysis to their determination in all cases.
 - **Some of the enumerated uses may also be appropriate responses to the impacts experienced by other classes of beneficiaries.** It is permissible for recipients to provide these services to other classes, so long as the recipient determines that the response is also appropriate for those groups.
 - **Recipients may designate a class based on income level, including at levels higher than the final rule definition of "low- and moderate-income."** For example, a recipient may identify that households in their community with incomes above the final rule threshold for low-income nevertheless experienced disproportionate impacts from the pandemic and provide responsive services.
- 2. Design a response that addresses or responds to the impact.** Programs, services, and other interventions must be reasonably designed to benefit the individual or class that experienced



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the impact. They must also be related and reasonably proportional to the extent and type of impact experienced. For example, uses that bear no relation or are grossly disproportionate to the type or extent of the impact would not be eligible.

“Reasonably proportional” refers to the scale of the response compared to the scale of the harm, as well as the targeting of the response to beneficiaries compared to the amount of harm they experienced; for example, it may not be reasonably proportional for a cash assistance program to provide a very small amount of aid to a group that experienced severe harm and a much larger amount to a group that experienced relatively little harm. Recipients should consider relevant factors about the harm identified and the response to evaluate whether the response is reasonably proportional. For example, recipients may consider the size of the population impacted and the severity, type, and duration of the impact. Recipients may also consider the efficacy, cost, cost-effectiveness, and time to delivery of the response.

For disproportionately impacted communities, recipients may design interventions that address broader pre-existing disparities that contributed to more severe health and economic outcomes during the pandemic, such as disproportionate gaps in access to health care or pre-existing disparities in educational outcomes that have been exacerbated by the pandemic.



Premium Pay

The Coronavirus State and Local Fiscal Recovery Funds may be used to provide premium pay to eligible workers performing essential work during the pandemic. Premium pay may be awarded to eligible workers up to \$13 per hour. Premium pay must be in addition to wages or remuneration (i.e., compensation) the eligible worker otherwise receives. Premium pay may not exceed \$25,000 for any single worker during the program.

Recipients should undergo the following steps to provide premium pay to eligible workers.

1. **Identify an “eligible” worker.** Eligible workers include workers “needed to maintain continuity of operations of essential critical infrastructure sectors.” These sectors and occupations are eligible:

- | | |
|--|---|
| ✓ Health care | ✓ State, local, or Tribal government workforce |
| ✓ Emergency response | ✓ Workers providing vital services to Tribes |
| ✓ Sanitation, disinfection & cleaning | ✓ Educational, school nutrition, and other work required to operate a school facility |
| ✓ Maintenance | ✓ Laundry |
| ✓ Grocery stores, restaurants, food production, and food delivery | ✓ Elections |
| ✓ Pharmacy | ✓ Solid waste or hazardous materials management, response, and cleanup |
| ✓ Biomedical research | ✓ Work requiring physical interaction with patients |
| ✓ Behavioral health | ✓ Dental care |
| ✓ Medical testing and diagnostics | ✓ Transportation and warehousing |
| ✓ Home and community-based health care or assistance with activities of daily living | ✓ Hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment |
| ✓ Family or child care | |
| ✓ Social services | |
| ✓ Public health | |
| ✓ Mortuary | |
| ✓ Critical clinical research, development, and testing necessary for COVID-19 response | |

Beyond this list, the chief executive (or equivalent) of a recipient government may designate additional non-public sectors as critical so long as doing so is necessary to protecting the health and wellbeing of the residents of such jurisdictions.

2. **Verify that the eligible worker performs “essential work,”** meaning work that:

- Is not performed while teleworking from a residence; and
- Involves either:
 - a. regular, in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or
 - b. regular physical handling of items that were handled by, or are to be handled by, patients, the public, or coworkers of the individual that is performing the work.



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- 3. Confirm that the premium pay “responds to” workers performing essential work during the COVID-19 public health emergency.** Under the final rule, which broadened the share of eligible workers who can receive premium pay without a written justification, recipients may meet this requirement in one of three ways:
- Eligible worker receiving premium pay is earning (with the premium included) at or below 150 percent of their residing state or county’s average annual wage for all occupations, as defined by the Bureau of Labor Statistics’ [Occupational Employment and Wage Statistics](#), whichever is higher, on an annual basis; or
 - Eligible worker receiving premium pay is not exempt from the Fair Labor Standards Act overtime provisions; or
 - If a worker does not meet either of the above requirements, the recipient must submit written justification to Treasury detailing how the premium pay is otherwise responsive to workers performing essential work during the public health emergency. This may include a description of the essential worker’s duties, health, or financial risks faced due to COVID-19, and why the recipient determined that the premium pay was responsive. Treasury anticipates that recipients will easily be able to satisfy the justification requirement for front-line workers, like nurses and hospital staff.

Premium pay may be awarded in installments or lump sums (e.g., monthly, quarterly, etc.) and may be awarded to hourly, part-time, or salaried or non-hourly workers. Premium pay must be paid in addition to wages already received and may be paid retrospectively. A recipient may not use SLFRF to merely reimburse itself for premium pay or hazard pay already received by the worker, and premium pay may not be paid to volunteers.



Water & Sewer Infrastructure

The Coronavirus State and Local Fiscal Recovery Funds may be used to make necessary investments in water and sewer infrastructure. State, local, and Tribal governments have a tremendous need to address the consequences of deferred maintenance in drinking water systems and removal, management, and treatment of sewage and stormwater, along with additional resiliency measures needed to adapt to climate change.

Recipients may undertake the eligible projects below:

PROJECTS ELIGIBLE UNDER EPA'S CLEAN WATER STATE REVOLVING FUND (CWSRF)

Eligible projects under the CWSRF, and the final rule, include:

- ✓ Construction of publicly owned treatment works
- ✓ Projects pursuant to implementation of a nonpoint source pollution management program established under the Clean Water Act (CWA)
- ✓ Decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage
- ✓ Management and treatment of stormwater or subsurface drainage water
- ✓ Water conservation, efficiency, or reuse measures
- ✓ Development and implementation of a conservation and management plan under the CWA
- ✓ Watershed projects meeting the criteria set forth in the CWA
- ✓ Energy consumption reduction for publicly owned treatment works
- ✓ Reuse or recycling of wastewater, stormwater, or subsurface drainage water
- ✓ Security of publicly owned treatment works

Treasury encourages recipients to review the EPA handbook for the [CWSRF](#) for a full list of eligibilities.

PROJECTS ELIGIBLE UNDER EPA'S DRINKING WATER STATE REVOLVING FUND (DWSRF)

Eligible drinking water projects under the DWSRF, and the final rule, include:

- ✓ Facilities to improve drinking water quality
- ✓ Transmission and distribution, including improvements of water pressure or prevention of contamination in infrastructure and lead service line replacements
- ✓ New sources to replace contaminated drinking water or increase drought resilience, including aquifer storage and recovery system for water storage
- ✓ Green infrastructure, including green roofs, rainwater harvesting collection, permeable pavement
- ✓ Storage of drinking water, such as to prevent contaminants or equalize water demands
- ✓ Purchase of water systems and interconnection of systems
- ✓ New community water systems

Treasury encourages recipients to review the EPA handbook for the [DWSRF](#) for a full list of eligibilities.

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ADDITIONAL ELIGIBLE PROJECTS

With broadened eligibility under the final rule, SLFRF funds may be used to fund additional types of projects— such as additional stormwater infrastructure, residential wells, lead remediation, and certain rehabilitations of dams and reservoirs — beyond the CWSRF and DWSRF, if they are found to be “necessary” according to the definition provided in the final rule and outlined below.

- ✓ Culvert repair, resizing, and removal, replacement of storm sewers, and additional types of stormwater infrastructure
- ✓ Infrastructure to improve access to safe drinking water for individual served by residential wells, including testing initiatives, and treatment/remediation strategies that address contamination
- ✓ Dam and reservoir rehabilitation if primary purpose of dam or reservoir is for drinking water supply and project is necessary for provision of drinking water
- ✓ Broad set of lead remediation projects eligible under EPA grant programs authorized by the Water Infrastructure Improvements for the Nation (WIIN) Act, such as lead testing, installation of corrosion control treatment, lead service line replacement, as well as water quality testing, compliance monitoring, and remediation activities, including replacement of internal plumbing and faucets and fixtures in schools and childcare facilities

A “necessary” investment in infrastructure must be:

- (1) responsive to an identified need to achieve or maintain an adequate minimum level of service, which may include a reasonable projection of increased need, whether due to population growth or otherwise,
- (2) a cost-effective means for meeting that need, taking into account available alternatives, and
- (3) for investments in infrastructure that supply drinking water in order to meet projected population growth, projected to be sustainable over its estimated useful life.

Please note that DWSRF and CWSRF-eligible projects are generally presumed to be necessary investments. Additional eligible projects generally must be responsive to an identified need to achieve or maintain an adequate minimum level of service. Recipients are only required to assess cost-effectiveness of projects for the creation of new drinking water systems, dam and reservoir rehabilitation projects, or projects for the extension of drinking water service to meet population growth needs. Recipients should review the supplementary information to the final rule for more details on requirements applicable to each type of investment.

APPLICABLE STANDARDS & REQUIREMENTS

Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.

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Broadband Infrastructure

The Coronavirus State and Local Fiscal Recovery Funds may be used to make necessary investments in broadband infrastructure, which has been shown to be critical for work, education, healthcare, and civic participation during the public health emergency. The final rule broadens the set of eligible broadband infrastructure investments that recipients may undertake.

Recipients may pursue investments in broadband infrastructure meeting technical standards detailed below, as well as an expanded set of cybersecurity investments.

BROADBAND INFRASTRUCTURE INVESTMENTS

Recipients should adhere to the following requirements when designing a broadband infrastructure project:

1. **Identify an eligible area for investment.** Recipients are encouraged to prioritize projects that are designed to serve locations without access to reliable wireline 100/20 Mbps broadband service (meaning service that reliably provides 100 Mbps download speed and 20 Mbps upload speed through a wireline connection), but are broadly able to invest in projects designed to provide service to locations with an identified need for additional broadband investment. Recipients have broad flexibility to define need in their community. Examples of need could include:
 - ✓ Lack of access to a reliable high-speed broadband connection
 - ✓ Lack of affordable broadband
 - ✓ Lack of reliable service

If recipients are considering deploying broadband to locations where there are existing and enforceable federal or state funding commitments for reliable service of at least 100/20 Mbps, recipients must ensure that SLFRF funds are designed to address an identified need for additional broadband investment that is not met by existing federal or state funding commitments. Recipients must also ensure that SLFRF funds will not be used for costs that will be reimbursed by the other federal or state funding streams.

2. **Design project to meet high-speed technical standards.** Recipients are required to design projects to, upon completion, reliably meet or exceed symmetrical 100 Mbps download and upload speeds. In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, eligible projects may be designed to reliably meet or exceed 100/20 Mbps and be scalable to a minimum of symmetrical 100 Mbps download and upload speeds.

Treasury encourages recipients to prioritize investments in fiber-optic infrastructure wherever feasible and to focus on projects that will achieve last-mile connections. Further, Treasury encourages recipients to prioritize support for broadband networks owned, operated by, or affiliated with local governments, nonprofits, and co-operatives.



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3. **Require enrollment in a low-income subsidy program.** Recipients must require the service provider for a broadband project that provides service to households to either:

- ✓ Participate in the FCC's Affordable Connectivity Program (ACP)
- ✓ Provide access to a broad-based affordability program to low-income consumers that provides benefits commensurate to ACP

Treasury encourages broadband services to also include at least one low-cost option offered without data usage caps at speeds sufficient for a household with multiple users to simultaneously telework and engage in remote learning. Recipients are also encouraged to consult with the community on affordability needs.

CYBERSECURITY INVESTMENTS

SLFRF may be used for modernization of cybersecurity for existing and new broadband infrastructure, regardless of their speed delivery standards. This includes modernization of hardware and software.

APPLICABLE STANDARDS & REQUIREMENTS

Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.



Restrictions on Use

While recipients have considerable flexibility to use Coronavirus State and Local Fiscal Recovery Funds to address the diverse needs of their communities, some restrictions on use of funds apply.

OFFSET A REDUCTION IN NET TAX REVENUE

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the funds provided have been spent.** If a state or territory cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than SLFRF, such as by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the Treasury.

DEPOSITS INTO PENSION FUNDS

- **No recipients except Tribal governments may use this funding to make a deposit to a pension fund.** Treasury defines a “deposit” as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions connected to an eligible use of funds (e.g., for public health and safety staff). Examples of extraordinary payments include ones that:
 - ✗ Reduce a liability incurred prior to the start of the COVID-19 public health emergency and occur outside the recipient's regular timing for making the payment
 - ✗ Occur at the regular time for pension contributions but is larger than a regular payment would have been

ADDITIONAL RESTRICTIONS AND REQUIREMENTS

Additional restrictions and requirements that apply across all eligible use categories include:

- **No debt service or replenishing financial reserves.** Since SLFRF funds are intended to be used prospectively, recipients may not use SLFRF funds for debt service or replenishing financial reserves (e.g., rainy day funds).
- **No satisfaction of settlements and judgments.** Satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring in a judicial, administrative, or regulatory proceeding is itself not an eligible use. However, if a settlement requires the recipient to provide services or incur other costs that are an eligible use of SLFRF funds, SLFRF may be used for those costs.
- **Additional general restrictions.** SLFRF funds may not be used for a project that conflicts with or contravenes the purpose of the American Rescue Plan Act statute (e.g., uses of funds that

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undermine COVID-19 mitigation practices in line with CDC guidance and recommendations) and may not be used in violation of the Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance. Other applicable laws and regulations, outside of SLFRF program requirements, may also apply (e.g., laws around procurement, contracting, conflicts-of-interest, environmental standards, or civil rights).



Program Administration

The Coronavirus State and Local Fiscal Recovery Funds final rule details a number of administrative processes and requirements, including on distribution of funds, timeline for use of funds, transfer of funds, treatment of loans, use of funds to meet non-federal match or cost-share requirements, administrative expenses, reporting on use of funds, and remediation and recoupment of funds used for ineligible purposes. This section provides a summary for the most frequently asked questions.

TIMELINE FOR USE OF FUNDS

Under the SLFRF, funds must be used for costs incurred on or after March 3, 2021. Further, costs must be obligated by December 31, 2024, and expended by December 31, 2026.

TRANSFERS

Recipients may undertake projects on their own or through subrecipients, which carry out eligible uses on behalf of a recipient, including pooling funds with other recipients or blending and braiding SLFRF funds with other sources of funds. Localities may also transfer their funds to the state through section 603(c)(4), which will decrease the locality's award and increase the state award amounts.

LOANS

Recipients may generally use SLFRF funds to provide loans for uses that are otherwise eligible, although there are special rules about how recipients should track program income depending on the length of the loan. Recipients should consult the final rule if they seek to utilize these provisions.

NON-FEDERAL MATCH OR COST-SHARE REQUIREMENTS

Funds available under the "revenue loss" eligible use category (sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act) generally may be used to meet the non-federal cost-share or matching requirements of other federal programs. However, note that SLFRF funds may not be used as the non-federal share for purposes of a state's Medicaid and CHIP programs because the Office of Management and Budget has approved a waiver as requested by the Centers for Medicare & Medicaid Services pursuant to 2 CFR 200.102 of the Uniform Guidance and related regulations.

SLFRF funds beyond those that are available under the revenue loss eligible use category may not be used to meet the non-federal match or cost-share requirements of other federal programs, other than as specifically provided for by statute. As an example, the Infrastructure Investment and Jobs Act provides that SLFRF funds may be used to meet the non-federal match requirements of authorized Bureau of Reclamation projects and certain broadband deployment projects. Recipients should consult the final rule for further details if they seek to utilize SLFRF funds as a match for these projects.

ADMINISTRATIVE EXPENSES

SLFRF funds may be used for direct and indirect administrative expenses involved in administering the program. For details on permissible direct and indirect administrative costs, recipients should refer to Treasury's [Compliance and Reporting Guidance](#). Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

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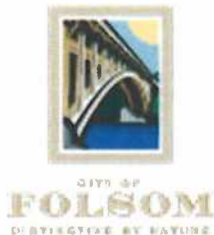
**REPORTING, COMPLIANCE & RECOUPMENT**

Recipients are required to comply with Treasury's [Compliance and Reporting Guidance](#), which includes submitting mandatory periodic reports to Treasury.

Funds used in violation of the final rule are subject to remediation and recoupment. As outlined in the final rule, Treasury may identify funds used in violation through reporting or other sources. Recipients will be provided with an initial written notice of recoupment with an opportunity to submit a request for reconsideration before Treasury provides a final notice of recoupment. If the recipient receives an initial notice of recoupment and does not submit a request for reconsideration, the initial notice will be deemed the final notice. Treasury may pursue other forms of remediation and monitoring in conjunction with, or as an alternative to, recoupment.

REVISIONS TO THE OVERVIEW OF THE FINAL RULE:

- January 18, 2022 (p. 4, p. 16): Clarification that the revenue loss standard allowance is “up to” \$10 million under the Replacing Lost Public Sector Revenue eligible use category; addition of further information on the eligibility of general infrastructure, general economic development, and worker development projects under the Public Health and Negative Economic Impacts eligible use category.
- March 17, 2022 (p. 18): Specified that provision of child nutrition programs is available to respond to impacts of the pandemic on households and communities.



Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	Old Business
SUBJECT:	Resolution No. 10831 - A Resolution of the City Council of the City of Folsom Approving an Affordable Housing Grant in the Amount of \$588,265.55 to Bidwell Place, LP for Construction of the 75-unit Bidwell Place Affordable Multifamily Project, and Appropriation of Funds
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to Adopt Resolution No. 10831 - A Resolution of the City Council of the City of Folsom Approving an Affordable Housing Grant in the Amount of \$588,265.55 to Bidwell Place, LP for Construction of the 75-unit Bidwell Place Affordable Multifamily Project, and Appropriation of Funds.

BACKGROUND / ISSUE

On May 6, 2020, the Planning Commission approved the Bidwell Place Mixed-Use project. The Bidwell Place project is a 75-unit 100 percent affordable multifamily, mixed use housing project on the 3.24-acre Bank of America site located on East Bidwell Street between Rumsey Way and Market Street. The development, which is currently under construction, includes studio, one-bedroom, and two-bedroom floor plans and will serve a mix of extremely low, very-low- and low-income households.



The project is being financed by Federal Low Income Housing Tax Credits and tax-exempt Private Activity Bonds and all the approved project underwriting were based on a standalone asset that would be regulated as affordable housing for 55 years. As a result, the project site must be parcelized to separate the affordable housing community asset from the commercial retail property (Bank of America). At time of project approval, staff and the applicant were under the impression that separation of the Bank of America commercial use from the residential portion of the proposed project would be achieved by a simple lot line adjustment. However, through further surveying and title search it was discovered that, although there are two Assessor Parcel Numbers (APNs) associated with the site, these parcels only exist for assessment purposes and have not been mapped. As a result, the applicant is in the process of requesting Planning Commission approval for a Tentative Parcel Map to subdivide the existing 3.24-acre property into two individual parcels. The two newly created parcels will consist of a 1.11-acre parcel (403 East Bidwell Street) and a 2.07-acre parcel (425 East Bidwell Street) within the East Bidwell Mixed Use Overlay of the General Commercial zone of the City of Folsom.

In accordance with the Folsom Municipal Code, Section 16.32.040, the project is now subject to parkland dedication in-lieu fees (Quimby) as part of this subsequent Tentative Parcel Map approval request. Because this fee was not previously anticipated, the additional fees place a financial burden on the project which the affordable housing project cannot absorb. As such, City Council is being asked to approve a grant to the applicant in the exact amount of the levied Quimby parkland dedication in-lieu fees to offset this financial burden on the project. This grant will go directly towards the payment of the Quimby fee and will not provide any additional financial benefit to the project.

POLICY / RULE

Government Code section 66477, commonly referred to as the Quimby Act, establishes the statutory authority by which a local government may require the dedication of land or the payment of fees for park purposes (Government Code §66477(a)). In conformance with section 66477, the City of Folsom has adopted a parkland dedication ordinance, which allows the City to impose park dedication and/or fee payment obligations in conjunction with the consideration and approval of a tentative map or parcel map.

This grant award requires City Council approval.

ANALYSIS

The Bidwell Place project is being financed with 4 percent non-competitive tax credits, tax-exempt bonds, developer equity, and a \$4.15 million affordable housing loan from the City. In addition, the project received a \$150,693.75 grant (Resolution No. 10630) from City to offset the loss of 60 sewer fee credits that had previously been approved for the project.

The project was financed in 2021 with a forward locked permanent debt rate. All sources and uses of financing were locked at that milestone. At the time of construction loan closing, the California Construction Cost Index (CCCI) was 7102. The CCCI, as of March of 2022, is 8736, which represents a 23 percent increase from the previous year. And, although most of Bidwell Place's construction contracts were executed at the construction loan closing, several remaining trades experienced significant cost increases and those increased costs have been passed onto the project. In addition, it is important to note that as a 100 percent affordable housing project, all rental income is capped by federal and state agencies and cannot be increased to generate additional income for the project. For these reasons, the project cannot absorb the additional costs associated with the previously unanticipated Quimby fees.

Financial support of this affordable housing project is consistent with the City's Housing Element Goal of facilitating affordable housing. Based on City Council's previous commitment to award financial assistance to this project, staff is supportive of the developer's request for a \$588,265.55 affordable housing grant to offset the Quimby fees.

FINANCIAL IMPACT

Funding for the requested affordable housing loan for this project is available from the City's Housing Fund (Fund 238). An appropriation will be required in the amount of \$588,265.55. There are sufficient funds available for this additional appropriation. This funding source does not impact the City's General Fund.

ENVIRONMENTAL REVIEW

The Bidwell Place project was determined by the Planning Commission on May 6, 2020 to be categorically exempt from the California Environmental Quality Act (CEQA) under Public Resources Code Sections 21159.21 and 21159.23 as further described in Sections 15192 and 5194 (Affordable Housing Exemption) of the CEQA Guidelines.

ATTACHMENTS

1. Resolution No. 10831 - A Resolution of the City Council of the City of Folsom Approving an Affordable Housing Grant in the Amount of \$588,265.55 to Bidwell Place, LP for Construction of the 75-unit Bidwell Place Affordable Multifamily Project, and Appropriation of Funds
2. Tentative Parcel Map Exhibit

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal line extending to the right.

Pam Johns, Community Development Director

ATTACHMENT 1

Resolution No. 10831 - A Resolution of the City Council of the City of Folsom
Approving an Affordable Housing Grant in the Amount of \$588,265.55 to Bidwell Place,
LP for Construction of the 75-unit Bidwell Place Affordable Multifamily Project, and
Appropriation of Funds

RESOLUTION NO. 10831**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM APPROVING A GRANT IN THE AMOUNT OF \$588,265.55 TO BIDWELL PLACE, LP FOR CONSTRUCTION OF THE 75-UNIT BIDWELL PLACE AFFORDABLE MULTIFAMILY PROJECT, AND APPROPRIATION OF FUNDS**

WHEREAS, on May 6, 2020, the Planning Commission approved the Bidwell Place Mixed-Use project which is currently under construction and will serve a mix of extremely low, very-low- and low-income households.; and

WHEREAS, the project is financed by Federal Low Income Housing Tax Credits, tax-exempt Private Activity Bonds and an affordable housing loan and grant from the City; and

WHEREAS, all the project was financed as a stand-alone affordable housing community; and

WHEREAS, for regulatory consistency, the project site must be parcelized to separate the affordable housing community from the commercial retail property; and

WHEREAS, at the time of project approval, staff and the applicant were under the impression that separation of the residential use from the commercial portion of the proposed project would be achieved by a lot line adjustment; and

WHEREAS, through further surveying and title search, it was discovered that although there are two Assessor Parcel Numbers (APNs) associated with the site, the parcels only exist for assessment purposes and are not mapped; and

WHEREAS, the applicant is in the process of requesting Planning Commission approval for a Tentative Parcel Map to subdivide the existing 3.24-acre property into two individual parcels; and

WHEREAS, in accordance with the Folsom Municipal Code, Section 16.32.040, the project will be subject to parkland dedication in-lieu fees (Quimby) as part of the subsequent Tentative Parcel Map approval request; and

WHEREAS, to off-set the additional cost to the project associated with the previously unanticipated Quimby parkland dedication / parkland in lieu fee, the developer is requesting an affordable housing grant from the City to assist with the construction of the Bidwell Place project; and

WHEREAS, providing financial assistance to affordable housing projects is consistent with the Goal H-3: Facilitating Affordable Housing in the City's Housing Element; and

WHEREAS, the requested grant amount of \$588,265.55 is appropriate as it represents the

monetary value of the unanticipated Quimby parkland dedication / parkland in lieu fee that Bidwell Place is subject to as part of the Tentative Parcel Map request; and

WHEREAS, funding for the requested affordable housing grant is available from the City's Housing Fund (Fund 238).

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom hereby approves an affordable housing grant in the amount of \$588,265.55 to Bidwell Place, LP for construction of the 75-unit Bidwell Place affordable multifamily project.

BE IT FURTHER RESOLVED that the Finance Director is directed to appropriate \$588,265.55 from the City's Housing Fund (Fund 238) for purpose of this Resolution.

PASSED AND ADOPTED this 12th day of April 2022, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

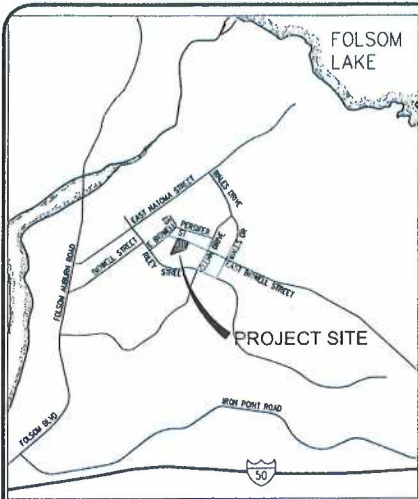
Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2

Tentative Parcel Map Exhibit

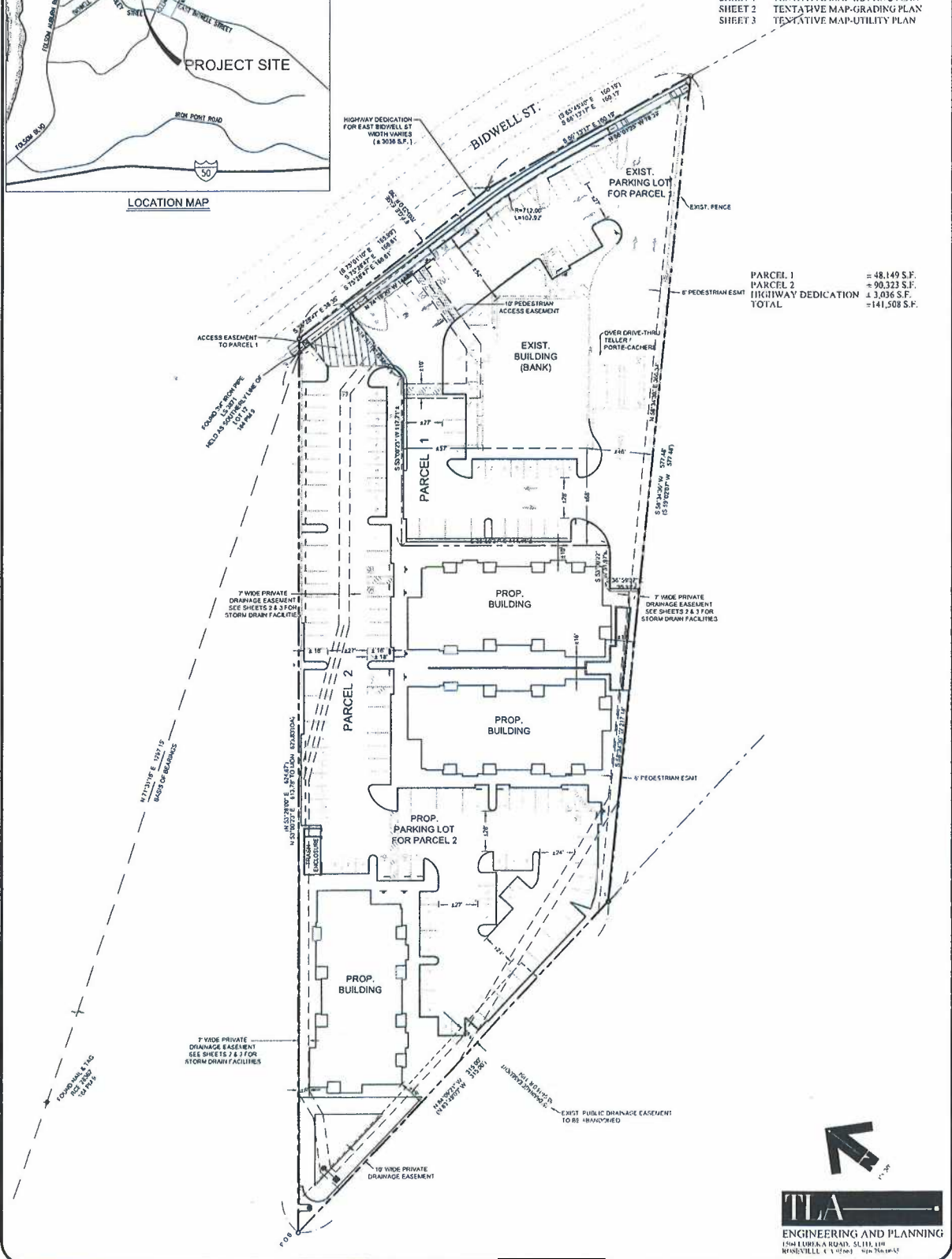


LOCATION MAP

TENTATIVE PARCEL MAP
 BIDWELL PLACE
 APN 071-0190-060 & 061
 403 & 425 EAST BIDWELL STREET, FOLSOM, CALIFORNIA
 LOTTING PLAN
 SHEET 1 OF 3
 DECEMBER 2021

SHEET INDEX

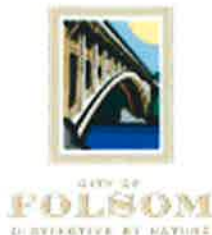
SHEET 1	TENTATIVE MAP-LOTING PLAN
SHEET 2	TENTATIVE MAP-GRADING PLAN
SHEET 3	TENTATIVE MAP-UTILITY PLAN



PARCEL 1	= 48,149 S.F.
PARCEL 2	= 90,323 S.F.
HIGHWAY DEDICATION	= 1,036 S.F.
TOTAL	= 141,508 S.F.

TIA
 ENGINEERING AND PLANNING
 1501 LUBEN A ROAD, SUITE 110
 ROSEVILLE, CA 95747

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Folsom City Council Staff Report

MEETING DATE:	4/12/2022
AGENDA SECTION:	New Business
SUBJECT:	Consideration of Letter in Response to Demand Letter Received from Scott Rafferty Regarding Alleged Non-Compliance with the Brown Act
FROM:	City Attorney's Office

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends that the City Council consider and approve the attached reply to Scott Rafferty (Attachment 1) providing an unconditional commitment to continue to comply with the Brown Act.

BACKGROUND / ISSUE

On March 25, 2022, the City received a cease and desist letter from Scott Rafferty dated March 24, 2022 alleging the following violations of the Brown Act:

1. The failure to make available all non-exempt documents relating to council districts that were distributed to the council in advance of its February 11, 2022, meeting. A copy is attached to the electronic transmission of this letter.
2. The redaction of the time and date of electronic communications to conceal when they were received and when they became subject to public disclosure.
3. The continuing failure, even after the meeting, to allow inspection of writings subject to §54957.5, including the data files presented at those meetings.
4. The repeated failure to notify the public of the change in procedure for public comment, which no longer provided for text messages to be relayed by the City Manager.

While staff disagrees with the alleged non-compliance, the Brown Act provides a process for issues such as these to be resolved without further legal action. To that end, the Brown Act provides a prescribed form letter that the City Council may consider approving and sending in response to Mr. Rafferty's correspondence.

POLICY / RULE

The Brown Act provides that a response to the cease and desist letter shall be in substantially the form provided in Government Code section 54960.2(c)(1). The fact that the City Council provides an unconditional commitment shall not be construed or admissible as evidence of violation of the Brown Act. Government Code section 54960.2(c)(4).

ANALYSIS

Government Code section 54960.2 allows any interested person to submit a "cease and desist" letter to the City as a prerequisite to filing a lawsuit over alleged past non-compliance with the Brown Act. Pursuant to Section 54960.2(b), the City Council may respond to the "cease and desist" letter within thirty (30) days by providing an "unconditional commitment" not to repeat any or all of the actions challenged. By law, an "unconditional commitment" **does not** constitute admission of a violation, but it does bar a potential plaintiff from pursuing litigation and collecting attorneys' fees with respect to past non-compliance related to the specific action the City has "unconditionally committed" not to repeat.

The City Council's reply must be approved in open session as a separate item of business, not under the "Consent" portion of the agenda, and in substantially the form as prescribed by the Brown Act. Once approved, the Brown Act prohibits legal action by the potential plaintiff; however, if such an action is nonetheless filed, the court is required to dismiss the lawsuit with prejudice if it finds that the City Council has provided an unconditional commitment pursuant to the Brown Act.

FINANCIAL IMPACT

There is no legal expense associated with this item as the City Council has always complied with the Brown Act. In addition, providing the attached reply may reduce the chance of litigation and any associated legal costs.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment (CEQA Guidelines §15061(c)(3)), or is otherwise not considered a project as defined by Public Resources Code §21065 and CEQA Guidelines §15060(c)(3) and §15378. The City Council's consideration of a reply to the Brown Act cease and desist letter meets the above criteria and is not subject to CEQA. No environmental review is required.

ATTACHMENTS

1. Cease and desist letter dated March 24, 2022
2. Proposed reply from the City Council

Respectfully submitted,

Steven Wang, City Attorney

ATTACHMENT 1

SCOTT J. RAFFERTY**ATTORNEY AT LAW****1913 WHITECLIFF COURT
WALNUT CREEK CA 94596****(202)-380-5525
RAFFERTY@GMAIL.COM**

March 24, 2022

Ms. Christa Freemantle
Clerk, City of Folsom
50 E. Natoma Street
Folsom CA 95630by electronic and postal mail
cc: Mayor Kerri Howell, members of
the City Council, City Attorney

Dear Ms. Freemantle:

This letter constitutes a demand specified by Section¹ 54960.1(b) that the City of Folsom cease and desist from violations of the Brown Act committed in connection with the public hearing the Council conducted on February 22, 2022. The Council purported to conduct these hearings pursuant to Elections Code, Section 10010. This letter also satisfies the requirement of Section 54960.2 and enables my clients to file an additional action to determine that the actions specified herein were taken in violation of the Brown Act. To the extent set forth herein, the City of Folsom may respond to this demand by making an unconditional commitment to cease and desist from the challenged practices.

The unlawfully conducted hearings are already the subject of litigation before the Superior Court. Because Elections Code, Section 10010 precludes actions designed to mislead the public, to prevent their active participation, or to exhaust their attention by conducting hearings over a protracted period, the City Council cannot effectively cure or correct the effects of these violations simply by redoing the hearing. This would burden the public with attending more hearings, after "actions" (as defined in the Brown Act) have been taken and when the underlying decisions can only be reversed in by a judicial decree from the Superior Court (or the District Court for the Eastern District of California). Therefore, I will be writing the City Attorney separately to propose additional actions that are necessary to prevent an expansion of the current litigation.

The violations include:

¹ "Section" refers to the Government Code, except as noted.

Rafferty to Freemantle, Brown Act Demand Letter, February 22, 2022, page 2

1. The failure to make available all non-exempt documents relating to council districts that were distributed to the council in advance of its February 11, 2022 meeting. A copy is attached to the electronic transmission of this letter,
2. The redaction of the time and date of electronic communications to conceal when they were received and when they became subject to public disclosure.
3. The continuing failure, even after the meeting, to allow inspection of writings subject to §54957.5, including the data files presented at those meetings.
4. The repeated failure to notify the public of the change in procedure for public comment, which no longer provided for text messages to be relayed by the City Manager.

These violations are exceptionally flagrant.²

As we noted in previous letters, the failure to produce records distributed to the Board invalidates actions taken on February 8 and February 15, 2022, and made it inappropriate to continue the hearing to February 22, 2022. The documents were not made available in time for the public to make meaningful comment on the selection of the preferred maps. This letter demands that you cure and correct the violations by restarting any hearing process. Since that is no longer possible given statutory deadlines, these actions should be invalidated.

This letter also demands that the City cease and desist from failing to make Brown Act documents available to the public at the meeting, which includes posting them in the case of a teleconferenced meeting and making them available on paper in the council chambers.

Thank you for your prompt attention to these matters.

Sincerely,



Scott J. Rafferty

² A.B. 361 recently amended Section 54953(e)(2)(B) to require that in each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment. Numerous public postings referring to this meeting failed to advise members of the public that they could no longer telephone Ms. Anderson and have her relay the comments. This caused extensive confusion and showed deliberate disregard for unambiguous instructions from the Legislature.

ATTACHMENT 2

April 13, 2022

Scott J. Rafferty
1913 Whitecliff Court
Walnut Creek, CA 94596

Re: Brown Act Cease and Desist Letter

To Mr. Rafferty:

The Folsom City Council has received your cease-and-desist letter dated March 24, 2022, alleging that the following described past action of the legislative body violates the Ralph M. Brown Act:

1. The failure to make available all non-exempt documents relating to council districts that were distributed to the council in advance of its February 11, 2022, meeting. A copy is attached to the electronic transmission of this letter.
2. The redaction of the time and date of electronic communications to conceal when they were received and when they became subject to public disclosure.
3. The continuing failure, even after the meeting, to allow inspection of writings subject to §54957.5, including the data files presented at those meetings.
4. The repeated failure to notify the public of the change in procedure for public comment, which no longer provided for text messages to be relayed by the City Manager.

While the Folsom City Council strongly disputes and denies those allegations, in order to avoid unnecessary litigation and without admitting any violation of the Ralph M. Brown Act, the Folsom City Council hereby unconditionally commits that it will cease, desist from, and not repeat the challenged past action as described above.

The Folsom City Council may rescind this commitment only by a majority vote of its membership taken in open session at a regular meeting and noticed on its posted agenda as “Rescission of Brown Act Commitment.” You will be provided with written notice, sent by any means or media you provide in response to this message, to whatever address or addresses you specify, of any intention to consider rescinding this commitment at least 30 days before any such regular meeting. In the event that this commitment is rescinded, you will have the right to commence legal action pursuant to subdivision (a) of Section 54960 of the Government Code. That notice will be delivered to you by the same means as this commitment or may be mailed to an address that you have designated in writing.

Very truly yours,

Kerri Howell, Mayor

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